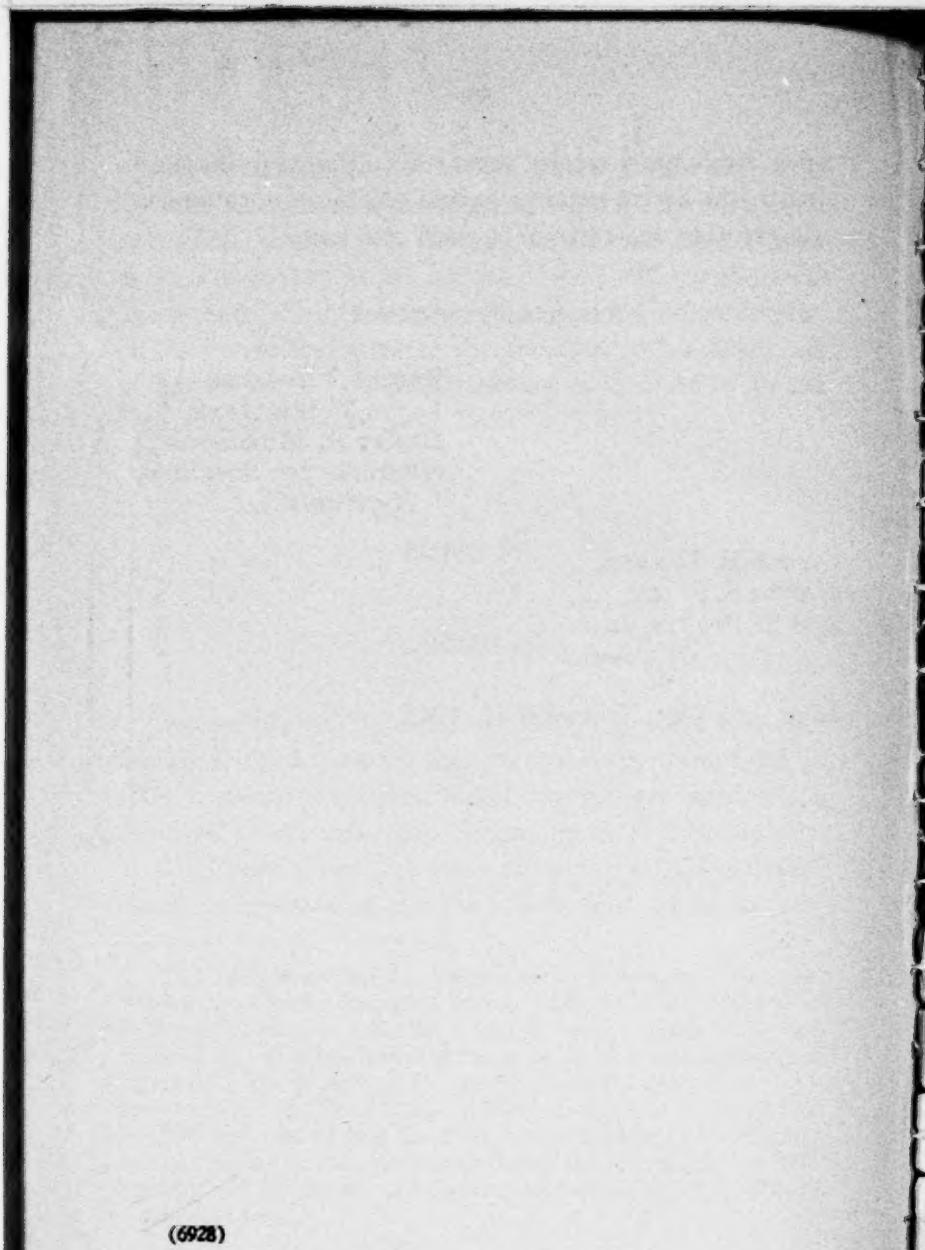

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Supreme Court of the United States

OCTOBER TERM, 1944

No. 4

OWENS-ILLINOIS GLASS COMPANY, *et al.*,
Appellants,

v.

UNITED STATES OF AMERICA,
Appellee.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

REPLY BRIEF ON REARGUMENT FOR APPELLANTS OWENS-ILLINOIS GLASS COMPANY AND ITS ASSOCIATED INDIVIDUAL APPELLANTS

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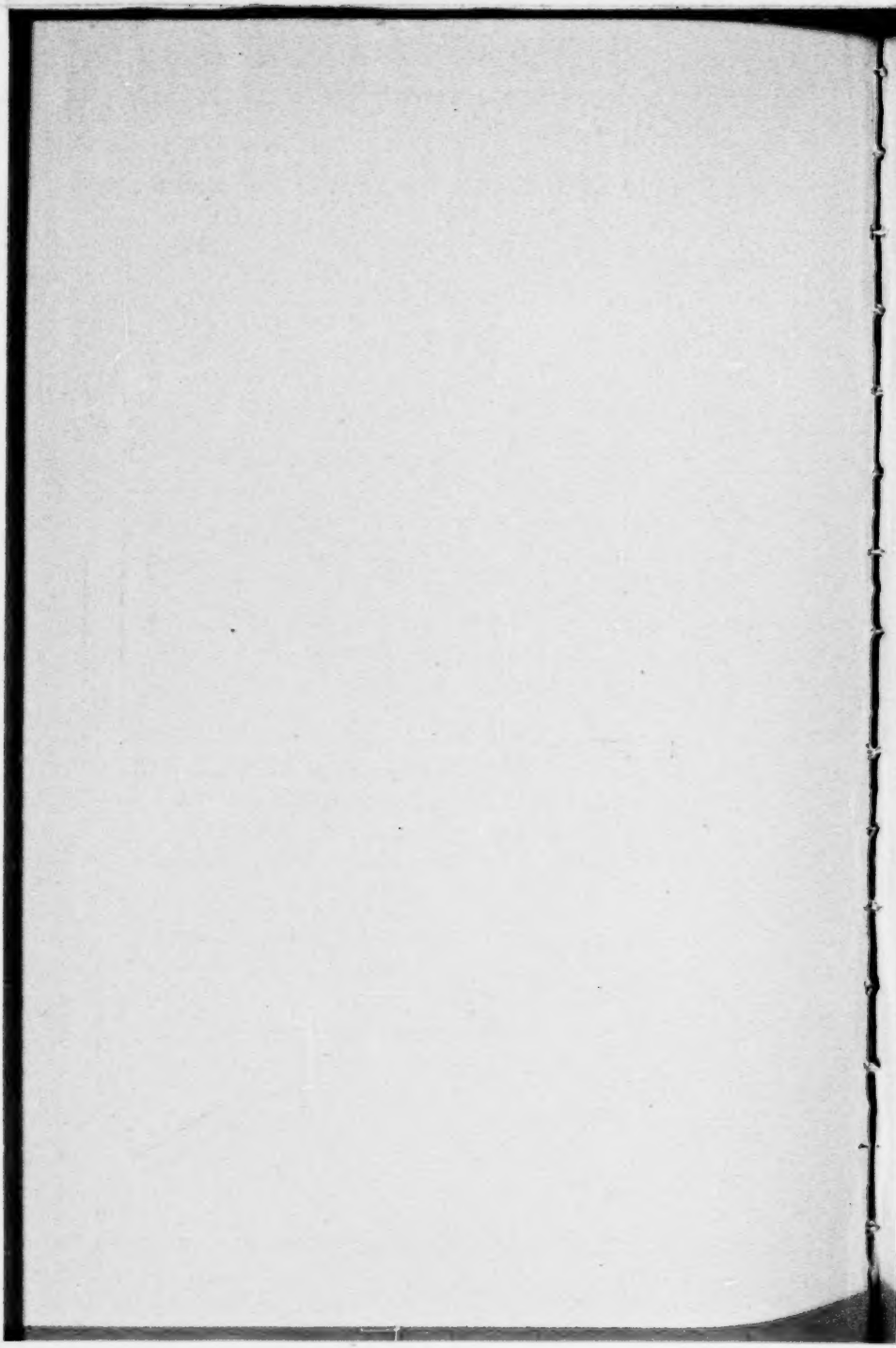

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Before discussing the arguments of the Department, it should be made clear that the Owens appellants are not, as the Department suggests (p. 1),* attacking the findings of fact either in the Joint Brief or in this brief. That attack was made in its prior briefs and has not been repeated.** On the other hand, they do not assume that

*Page references, unless otherwise indicated or apparent from the context, are to the Department's Brief on Reargument.

**For the convenience of the Court, as suggested by some of the Justices at the argument a year ago, an Appendix is attached hereto listing the findings attacked by the Owens appellants on the prior argument showing the pages in their main and reply briefs discussing each such finding.

they are bound, in discussing the appropriateness of the application of the punitive provisions of the decree to any appellant or group of appellants, by any conclusion of law not justified by the findings of fact, by any purported finding which is a mere unsupported generality, or, indeed, by any finding which, as a matter of law and as demonstrated in their prior briefs, is unsupported by any evidence.

The propriety of equitable relief is essentially a question of law depending upon inferences from the basic facts. In deciding the extent to which it will be necessary to modify this decree as to each appellant in order to conform it to accepted principles of equity, it must be determined what unlawful acts that appellant may fairly be expected to commit in the future on the basis of his conduct in the past as reflected in the record. That determination involves the making of an inference from such of the District Court's findings relating to the past conduct of that appellant as are supported by the evidence. In making that inference this Court is not, of course, bound by the District Court's inferences or conclusions as to probable future conduct.

Comparatively few of the so-called findings of fact in the present case are really findings of fundamental fact. Most of them are filled with argumentative and conclusory matter—inferences as to motives and purposes in matters evidenced by documents rather than the testimony of participating witnesses. From these frequently highly doubtful inferences and conclusions the District Court, by adopting the Department's draft of the decree, may fairly be said to have drawn another inference of danger that the motives so inferred with respect to events long past might lead again, in the future, to a repetition of action, or to some wholly different type of action for the same purpose, inferred in respect of the past.

Throughout its brief, the Department has sought to justify the indiscriminate application to the Owens appellants of the numerous and differing restraints of the decree by (a) treating findings of fact as to otherwise lawful acts connected with conduct found unlawful, but long past and abandoned, as automatically justifying a stringent prohibition in gross of such or similar acts in the future; (b) inferring, for example, from Hartford's past conduct what future acts will be committed by an Owens individual appellant who never engaged in anything remotely resembling that conduct; and (c) arguing as if the District Court's conclusions of law were sacrosanct.

In that connection, the Department relies heavily (pp. 2-5) upon the argument that the decree must be reasonable because it was "entered by the District Court itself after a long trial". That reliance is ill-placed not only in view of the many errors conceded by the Department, but also in view of the disregard by the District Court of the salutary principle that

> "According to the best practice, a judge himself should draw the specific terms of such restraint and not rely on drafts submitted by the parties". *Milk Wagon Drivers Union of Chicago, Local 753, et al.* v. *Meadowmoor Dairies, Inc.*, 312 U. S. 287, 296.

Not only was the decree drafted by the Department and accepted *verbatim* in all important respects by the District Court, but it departed in considerable degree from the relief outlined by the District Court in its opinion. The District Court suggested royalty-free licensing of the "manufacture of machines" embodying patents "involved in this suit" (Op. R. 158-9). Paragraph 24 compels royalty-free licenses under patents relating not only to machines but

also to "methods", a subject matter dealt with neither in the complaint nor in the evidence; it further compels licensing of future patents on both machines and methods, although that had not even been suggested in the opinion. The District Court carefully limited the suggestion that the future system for distribution of machinery be put on a basis of outright sale to machines made under "the patents and applications for patents * * * involved in this suit" (Op. R. 158); Paragraph 23 of the decree, requiring outright sale at reasonable prices, and Paragraph 25, regulating the terms of such sales, apply to *all* machinery "used in the manufacture of glassware".

POINT I

THE DEPARTMENT'S GENERAL CONCESSIONS AND ADMISSIONS DEMONSTRATE THE NECESSITY OF COMPLETELY REDRAFTING THE DECREE.

The Department has admitted that many of the provisions of the decree are improper. Those admissions are made in several forms:

1. In addition to its admissions upon the prior argument (collected in Joint Brief for Appellants on Reargument—hereinafter called Joint Brief—at pp. 223-7), the Department has now explicitly conceded that certain other Paragraphs require modification. It has implicitly admitted further errors and ambiguities by contending that the unqualified language of many Paragraphs is not to be read normally or is to be interpreted as subject to unexpressed and undefined limitations and conditions.

2. It has again had to support many of the Paragraphs, deliberately drafted by the Department to apply to the individual conduct of each separate appellant, as if they applied only to the appellants acting in concert.

3. It has found it necessary to resort to a technical and inapplicable rule of legal liability to defend the indiscriminate application of the provisions of this equity decree to each of the appellants regardless of the extent of his participation in the alleged conspiracy.

4. It has conceded that the purpose of many of the Paragraphs is substantially narrower than their application.

(1) The Department Has Admitted That There Are Substantial Errors and Ambiguities in the Decree.

The Department has now admitted that, in addition to Paragraphs 5, 9 and 52 which it previously suggested should be changed, Paragraphs 23, 26(b), 29 and 55 of the decree require modification. Only one of these need be noted specifically at this point. The Department has conceded that Paragraph 23, prohibiting the named appellants from engaging in interstate commerce unless "they, and each of them," agree to sell glassware machinery to any applicant, must be amended to provide that the right of each appellant shall be conditioned upon his individually making such offer and not upon the making of such an offer by all the appellants. That admission must be contrasted with the failure of the Department to concede that Paragraph 26 should be similarly modified to provide that the termination of the disqualification of an appellant to enforce his patent

rights should depend upon the dissipation of the consequences of his misuse and not those of all the appellants' misuse (see Joint Brief, p. 96).

With respect to many other Paragraphs of what it contends (pp. 2-4) was a carefully prepared and lawfully entered decree, the Department has made cavalier reference to numerous instances of what it lightly dismisses as defects in draftsmanship relating "simply to their form" (p. 177). But it fails to note that what is today dismissed as a defect in form becomes tomorrow a matter of substance when an appellant is subjected to contempt proceedings. Disarming admissions of errors and ambiguities should not mislead one into disregarding the effect those ambiguities will have upon the appellants, particularly in connection with the administration of their day-to-day business problems. For example:

(a) Because the Department has stated, the District Court has "implied" and the Receiver has suggested—in a self-serving, *ex parte* report—that the Hartford receivership may be of short duration, Hartford's objection that the receivership is of indefinite duration has "no foundation" (p. 53). The Department "believes" that the third clause of the first sentence of Paragraph 19 *"was not intended to be read as manifesting an intention* that the receivership endure for a long period * * *" (pp. 54-5). If Hartford does "what the court has ordered, the third clause will *presumably* be satisfied" (p. 55).*

(b) Paragraph 24(c), requiring disclosure of "any and all drawings and patterns * * * relating to the

*Italics, unless otherwise noted, are ours.

machinery or methods used in the manufacture of glassware embodying licensed inventions", according to the Department, "should not be construed to call for the disclosure of 'trade secrets' in the strict sense of that term" (p. 143).

(c) Paragraph 29(f), prohibiting the granting to any licensee, lessee or vendee of a preferential position *"by means of* lower rates of royalty, *by* different provisions of licensing, leasing, or sale, * * * or *by* any other means", does not, the Department asserts, prohibit "different provisions of licensing" unless they are "unreasonable". The Paragraph "should not be interpreted to prevent" justifiable differences (pp. 165-7), although it is unqualified and the Department does not suggest that it be qualified clearly to express the manner in which the Department believes it should be interpreted.

(d) The Department believes that a "fair reading" of Paragraph 31, requiring court approval of all agreements between any of the appellants, is that only agreements made pursuant to the judgment require such approval, although that reading results in a grammatical absurdity (p. 169). Furthermore, although there are no agreements (other than license agreements, which are specifically covered) to be made "pursuant to this judgment", any agreement made "in consequence of" is made "pursuant to" the judgment (p. 170).

(e) The Department has "no doubt" as to how the admitted inconsistency between the provisions of Paragraphs 33 and 36 with respect to the time for disposing of stock would be resolved (p. 177).

(f) The appellants, says the Department, misinterpret Paragraph 36: if an individual defendant should cease to be an officer or director of a defendant corporation by that very fact he would *"presumably"* no longer be engaged in the glassware business (pp. 177-8).

(g) It "seems clear" to the Department that a GCA committee whose duties were limited to general statistics and research would not violate the prohibition of Paragraph 37 against any statistical committee (p. 181).

(h) The appellants' objection to the sweeping language of Paragraph 41 based upon specific and probable illustrations (Joint Brief, pp. 161-2) rests upon contingencies which, without any explanation, the Department thinks "do not come within the language of the paragraph" (p. 188).

(i) The broad phraseology of Paragraph 53(a) would, the Department speculates, in some unexplained fashion be narrowly construed; if any of the probable situations discussed in the Joint Brief at pages 201-2 should arise, "facts would show that they do not come within the language" of the Paragraph (p. 219).

The obvious danger in relying upon the Department's foregoing and other interpretations (see also pages 48-50, 63-4, 171, 183, fns. 92-3, 188-9, 194-5, 225, 226, 229, 230, fn. 106, 235) of the numerous Paragraphs which it implicitly admits are ambiguous is that those interpretations are not incorporated in the decree and are not justified by

its unqualified language. The task of a court of equity is to frame its decree sufficiently precisely

> "to enable the parties to know whether they are acting at any time within the terms of its prohibitions". *U. S.* v. *First National Pictures Inc., et al.,* 51 F. (2d) 552, 554 (S. D. N. Y.).

That the Department has in so many instances had to resort to argument as to what would be a "fair", a "probable", or a "reasonable" reading of the ambiguous provisions, or as to what would be the "probable facts" avoiding the appellants' fears as to the impact of the decree on other facts, concedes that the decree does not conform to that fundamental principle.

In summary, the implicit concessions by the Department in its two briefs in this case affect 19 Paragraphs, in addition to the 7 Paragraphs which the Department expressly admits require elimination or modification, or a total of 26 out of the 45 Paragraphs* attacked by the appellants.*

(2) By Seeking to Support Many of the Paragraphs As If They Applied Only to Concerted Conduct by All the Appellants the Department Admits They Are Erroneous.

The decree was drafted by the Department to apply to the separate conduct of each appellant; throughout its brief the Department has defended the decree as if it applied only to all the appellants acting in concert. A few examples will suffice to illustrate.

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*The eleven Paragraphs (10-20) dealing with the Hartford receivership are counted as one. The appellants did not attack Paragraphs 2, 47, 50, 56 and 60.

The prohibition of Paragraph 21 against the leasing of machinery by a single appellant is justified as necessary to protect the public "against the illegal [Hartford] licensing system"—completely disestablished by Paragraphs 27 and 28 and suppressed by Paragraph 30—"and the illegal patent pool"—destroyed, to the extent if any that it still exists, by other provisions of the decree (p. 61).

Owens's present patents on its own inventions must be confiscated by Paragraph 24(a) to dissolve "the power of the patent combination" (p. 79), although the Department seems to admit—by omitting the Owens 1935 agreements from Appendix II to its brief—that since 1935 Owens has not illegally contributed any patents to the pool;* and in any event whatever remains of the pool has been destroyed. Owens's future patents must be destroyed by Paragraph 24(b) to avoid the danger of a "campaign" by "the appellants" using "the power their" alleged control of technology gives "them" (p. 139), although other Paragraphs of the decree, including particularly Paragraphs 53-4, prevent the appellants from any "campaign" or pooling of "their present power", and the Department has conceded that there has been no collaboration between Hartford and Owens in respect of Patent Office matters since 1932 (Department's Main Brief, pp. 61, 426).

Paragraph 26 "is appropriate because in its absence there *might* be situations in which appellants would be free to use *the patents in the combination* to exclude others from the industry or to collect royalties * * *" (pp. 144-5).

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*The word "pool", which has an unwarranted connotation, is used throughout this brief in a neutral sense, *i.e.*, without admission of illegality or repetition of the contentions of legality made in the briefs on the original argument.

The decisions support the validity of a limited license by a single patentee (p. 159), but Paragraph 29 is necessary to enjoin each appellant from separately pursuing this admittedly legal course in order to prevent revival of "the illegal practices"—prohibited by other provisions of the decree—of agreements to share the field (p. 162).

To prevent the appellants from obtaining "control through a patent pool" it is necessary by Paragraph 51 to prohibit each appellant from acquiring for its own sole use a second patent covering any alternative to another patent which it may own (p. 201).

In short, most of the Paragraphs of the decree were deliberately made applicable to the separate conduct of each appellant. By seeking to support them as if prohibiting only concerted action between the appellants the Department admits that their application to the conduct of the separate appellants cannot be supported.

(3) By Defending the Indiscriminate Application to All the Appellants of the Provisions of the Decree on the Basis of a Technical Rule of Legal Liability the Department Concedes That Many of Its Provisions Are Punitive.

The Department has conceded (p. 8) the principle that a court of equity, acting *in personam* against each of the appellants, has power only

> "to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may fairly be anticipated from the defendant's conduct in the past",

and that

> "To justify an order restraining other violations it must appear that they bear some resemblance to that which the employer has committed or that danger of their commission in the future is to be anticipated from the course of his conduct in the past." *N. L. R. B.* v. *Express Publishing Co.*, 312 U. S. 426, 435, 437.

It has countered with the principle that, assuming a conspiracy, each appellant is responsible for every probable and natural act of its co-conspirators in furtherance of the conspiracy. From that premise and on the basis of two cases holding that joint tort feasors or conspirators are jointly and severally liable to return to the victim of their fraud all the profits of the tort or conspiracy, the Department concludes that the principle of joint responsibility between co-conspirators "applies to the granting of equitable relief" (p. 12). It thus attempts to justify the indiscriminate application of the numerous and differing restraints of the decree to each of the corporate and individual appellants without any regard for their varying degrees of participation or nonparticipation in the conspiracy. The Department's argument (p. 11) would justify the obviously inappropriate remedy of appointing a receiver not only for Hartford but for every corporate and for each individual appellant:

> "The judgment was framed on the assumption * * * that once their connection with the conspiracy was proved they could be enjoined from engaging in any of the unlawful acts committed by any of the conspirators."

The rule that a conspirator is responsible, within certain limitations, for the acts of his co-conspirators is a rule

of legal liability designed to facilitate the prosecution and punishment of conspiracies. But even in courts of law the rule has not been held to require or justify the indiscriminate application of penalties to the several defendants regardless of their degree of participation in a conspiracy. The principal offenders in a criminal anti-trust prosecution are customarily subjected to substantially larger fines than the minor participants; the corporate defendants pay stiffer penalties than their respective officers and directors. *U. S.* v. *The Corning Glass Works et al.*, S. D. N. Y. (1941), *U. S.* v. *United Brotherhood etc. et al.*, N. D. Calif. (1941), *U. S.* v. *The Wayne Pump Co. et al.*, N. D. Ill. (1943), C. C. H. Trade Reg. Serv., Pars. 51,046, 51,068, 51,144. Indeed, it is the policy of the Department itself to differentiate between defendants to criminal prosecutions in accepting *nolo contendere* pleas. Dept. of Justice releases, 9/25/41, 12/17/41, C. C. H. Trade Reg. Serv., Pars. 51,047, 51,064.

Even less does the technical rule of law justify the indiscriminate application by a court of equity of remedies to all the defendants. A court of equity has no power, and its function in drafting a decree is not, to punish for past violations. *U. S.* v. *International Harvester Co. et al.*, 214 Fed. 987 (D. Minn.), appeal dismissed, 248 U. S. 587; *U. S.* v. *American Can Co. et al.*, 230 Fed. 859, 902; 234 Fed. 1019 (D. Md.), appeal dismissed, 256 U. S. 706. The task of a court of equity is the grave and delicate one of framing a decree which will be no more drastic than the facts of the case and law require, which will enjoin only those acts "whose commission in the future, unless enjoined, may *fairly* be anticipated from *the* defendant's conduct in the past". *N. L. R. B.* v. *Express Publish-*

ing Co., supra (312 U. S. 426, 435). As this Court has said:

> "* * * our consideration should be of not what the Corporation *had* power to do or did, but what it has *now* power to do and *is* doing * * *." *U. S.* v. *U. S. Steel Corp. et al.*, 251 U. S. 417, 444.

A rule for fixing technical responsibility for a past illegal act is not one which is adapted to determine whether there is a present danger that a particular appellant will commit an illegal act in the future. A conclusion that an individual appellant who became a director of Owens in 1935 will engage in the future in conduct in which it was inferred as probable that Hartford engaged years ago is of such a low order of probability as to amount to no more than a conjecture. There is neither legal nor common sense in enjoining appellants from doing acts in which they have never engaged on the sole ground that "it cannot be said that none" of them would follow the way "their brethren had shown them" (p. 175), when they have in fact never shown the slightest inclination to follow that way.

The Department, retaining at least traces of the punitive fervor which characterized its preparation of the decree and of the vindictive spirit in which it was presented to the District Court (R. 6905-6), has in its brief disregarded the equitable nature of the decree. It has confused a rule of legal liability with the purpose of a decree in equity to go only so far as is necessary to prevent and restrain future practices as to which "danger of their commission in the future is to be anticipated from the course of his conduct in the past". *N. L. R. B.* v. *Express Publishing Co., supra,* (312 U. S. 426, 437).

Even the Department did not feel justified in pressing to the full its application of this rule of legal liability when drafting the decree. The Paragraph 4 patents and machinery adjudications exclude the GCA appellants; the Paragraph 5 non-container adjudications are limited to the Corning, Hartford and Empire appellants; the Paragraph 6 glass container adjudications exclude the Corning and Empire appellants; the Paragraph 7 milk bottle adjudications are applicable solely to the Hartford, Owens and Thatcher appellants; the Paragraph 8 fruit jar adjudications include only the Hartford, Owens, Hazel and Ball appellants; and the injunction of Paragraph 41 against the limitation of the production or sale of fruit jars is restricted to the Owens, Ball, Hazel and Hartford appellants.

Hartford has been found to have pooled patents, practiced fraud in the Patent Office, maintained an elaborate and restrictive leasing and licensing system, and engaged in almost every other activity attacked by the Department. The practices in which it might "fairly" be anticipated Hartford will engage are not the acts which can "fairly" be anticipated of the individual defendant Greenhalgh, who has been found to have done nothing but approve as a director of Owens the 1935 agreements withdrawing Owens from the alleged conspiracy (F. 588, R. 7393). Yet Greenhalgh is stripped, along with Hartford, of any patents he may now own and compelled for the balance of his life to dedicate to the public all future patents, subject only to a reasonable royalty. And the acts "fairly" to be anticipated of Hartford, which abandoned the practices principally attacked only in 1940, after the T. N. E. C. investigation and after the complaint and answers in this case had been filed, are not the acts "fairly" to be antici-

pated of Owens, which deliberately and under no compulsion withdrew from the alleged conspiracy in 1935 and thereafter had no connection with the other appellants save through non-exclusive licenses.

This is not to say that the decree is punitive merely because the appellants "would be better off financially if the provisions were not imposed" (p. 6). Nor is it to contend that all conspirators may not be enjoined from the commission of *unlawful* acts done only by some or *related unlawful* acts done by none. *Local 167, International Brotherhood of Teamsters, etc., et al.* v. *U. S.*, 291 U. S. 293. The Owens appellants do not urge that acts which are not unlawful *per se* may not be enjoined *as part of an illegal plan* or that means of accomplishing an *illegal purpose* related to, but not precisely the same as, those shown in the Record to have been used may not be enjoined. What they do contend is the obvious: it is punitive and a gross abuse of discretion to compel the Owens appellants perpetually to conduct their respective business lives under the constant peril of a summons for contempt for lawful acts (a) many of which they never committed, (b) the rest of which they abandoned voluntarily in 1935 or earlier and (c) as to none of which is there the slightest basis in the Record for "fairly" anticipating that they will ever be committed in the future. To confiscate present patents of Owens which since 1935 have not been part of any pool, present patents which were never part of any pool because not issued until after 1935, and future patents covering inventions which are not even yet made, under the guise of "preventing" acts in which Owens never engaged, or has not engaged since 1935, is to warp an equity decree into a pun-

itive device under the cloak of a technical rule of legal liability.

Flagrantly violative of equitable principles is the indiscriminate punishment of the four Owens directors (Greenhalgh, McAdoo, Root and Barnard) who did nothing but vote as directors in 1935 to sever Owens's relationships with Hartford, and of McNerney and Martin, who merely performed ministerial and secretarial duties. There is not a finding—and the Department did not even propose a finding—that those individual appellants or that the other Owens individual appellants discussed at length in the Owens Main Brief (pp. 87-110) had any "knowledge of the general objects of the conspiracy" or "helped it along", which the Department has admitted are prerequisites to liability as a conspirator (p. 12). The record shows that of the 13 individual Owens appellants only four can be said to have participated in any one or more of the transactions found to be unlawful with any knowledge of their over-all significance. It cannot honestly be said, as does the Department (p. 39), that any of them used "the corporation to accomplish *their* ends".

To be sure, as the Department observes (p. 40), the question whether "the evidence sufficiently connects the individual defendants with a conspiracy depends upon whether the evidence supports the findings" and is a question which is not reargued here. But the inconsequential nature of the findings of fact as to most of the individual appellants upon which the District Court based its ultimate conclusion as to their connection with the alleged conspiracy is dramatically accentuated by the drastic penalties imposed by the District Court upon those individual appellants and now sought to be sustained by the Department.

Contrary to the present contention of the Department (p. 37), the Owens individual appellants were not named in the complaint "as individual defendants"; they were all named in their representative capacities as officers or directors of Owens and were charged, in the language of Section 14 of the Clayton Act (15 U. S. C. § 24), with having "approved, authorized, ordered, and done some or all of the acts herein alleged to have been performed *by* defendant Owens" (R. 8). The findings completely negative the charge of the Department that the Owens individual appellants acted in their personal capacities;* those findings consistently recite that "as president of Owens", "as vice-president of Owens", "as a director of Owens" or "acting for Owens" the individual appellant authorized or took certain action (R. 7389-94). It is wholly inconsistent with every principle of equity indiscriminately to punish, as does this decree, the individual appellants in their personal capacities for the acts of Hartford, or even of Owens, on the sole ground of (a) a statute which makes them technical members of the conspiracy in their representative capacities and (b) a rule of legal liability which in a limited sense makes them technically responsible for—*i. e.,* liable to be found guilty of—the acts of their co-conspirators.

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*Except as to certain stock holdings of Levis disposed of in 1938, before the filing of the complaint, and except also as to Collin's action as a broker in some of the property acquisitions of some of the corporate defendants.

This decree has an impact upon each separate appellant. The problem which this Court or the District Court will face in modifying this decree will be to determine the acts which may, on the basis of the record, "fairly" be anticipated of each appellant and to limit as to that appellant the application of the various injunctions of the decree to those acts. A rule of legal liability does not warrant a court of equity in punishing an appellant for past acts of others in which he has never engaged or which he has long ago abandoned. The courts have stated as fundamental that

> "Where it appears that an alleged evil under the Sherman Act exists no longer and danger of its renewal or occurrence hereafter has not been shown, or cannot properly be inferred, it has been squarely held that there is no justification for the issuance of an injunction. *United States* v. *United States Steel Corp.*, 251 U. S. 417, 445, 40 S. Ct. 293, 64 L. Ed. 343, 8 A. L. R. 1121; *Industrial Association* v. *United States*, 268 U. S. 64, 84, 45 S. Ct. 403, 69 L. Ed. 849. The Supreme Court has explained that this is because an injunction relates only to the future. Furthermore, it has been specifically held that an injunction cannot be used to punish for what is past and out of existence. *Standard Oil Co.* v. *United States*, 283 U. S. 163, 181, 182, 51 S. Ct. 421, 75 L. Ed. 926." *U. S.* v. *Aluminum Co. of America et al.*, 44 F. Supp. 97, 215 (S. D. N. Y.).

To the extent, discussed in detail in the Joint Brief in connection with each Paragraph, to which the decree disregards these principles when applied to any appellant, it is punitive as to that appellant and beyond the power of an equity court to issue.

POINT II

THE DEPARTMENT'S ARGUMENTS IN SUPPORT OF PARAGRAPHS 24, 26, 29(a), (b), (c) and (f), 33-6, 40 AND 51-2 DEMONSTRATE THAT THOSE PARAGRAPHS SHOULD BE ELIMINATED OR RADICALLY MODIFIED.

We turn now from the general arguments made by the Department in support of the decree as a whole to consideration of its arguments in support of particular Paragraphs. For the sake of brevity and to avoid undue duplication of the briefs of the other appellants, this brief will reply specifically only to the arguments made by the Department in its attempt to support Paragraphs 24 and 26, 29(a), (b), (c) and (f), 33-6, 40, and 51-2 of the decree. The observations made in Point I with respect to the character of the general contentions of the Department and many of the following arguments are equally applicable to other Paragraphs; as to such of those other Paragraphs as affect the Owens appellants, they rely upon the Joint Brief and the reply briefs of the other appellants.

(1) Paragraphs 24 and 26—The Department Has Failed to Justify the Destruction of All the Present and Future Glassware Patents of the Owens Appellants.

Paragraph 24 destroys, in perpetuity, all glassware patents of the Owens appellants—present patents* by requiring that they be licensed royalty-free to all applicants, and future patents by requiring that they be licensed upon

*The term "present patents" is misleading; it includes many future patents, *i.e.*, any patents hereafter issued on applications pending upon the effective date of the decree.

royalties which will, in practice, be fixed by the District Court. Paragraph 26 enjoins the appellants from suing for infringement of or collecting royalties on their present patents.

(a) Destruction of Present Patents.

The fundamental factual argument made by the Department in support of the destruction of all present patents of the Owens appellants is that there exists a patent pool or combination which "has a life and a momentum of its own" (p. 77) and that the long continued existence of that combination has created an "artificial structure" and "habits of concerted action" (p. 87) which could not be destroyed by the injunctions of the decree against concerted action. It contends that the trial court was "required to take steps that would nullify the power of appellants' monopolistic combination of patents and dissipate its economic effects" (pp. 77, 87-9); that in order to break up that combination and to avoid the results of those habits it was necessary, as the Department euphemistically describes the effect of Paragraphs 24 and 26, to "impose restrictions on the future use" of those patents (p. 85). Those "restrictions", as Mr. Chief Justice Stone and Mr. Justice Roberts observed in the course of the original argument, amount to the cancelation of the patents.

The Department charges Owens with having contributed, during the life of the conspiracy, 132 of the 891 patents in the pool (p. 74). Of those 132 patents, 63 have expired; of the balance of 69, 20 are suction patents, under which no license has ever been granted by Owens to Hartford. Under the 49 unexpired, non-suction patents belonging to Owens, Hartford since 1935, when Owens

withdrew from all participation in the Hartford licensing system, has had merely a non-exclusive, paid-up license with the right to license others. Owens has also retained the unrestricted right to license under all its patents. Those non-suction patents of Owens have no value in themselves since it is impossible to build an effective machine under them without infringing Hartford's patents. However, they are necessary for the manufacture of the most efficient machines; the paid-up, non-exclusive licensing rights which Hartford has thereunder enables licensees desiring to obtain the best apparatus to procure licenses under all the necessary patents from one source (Owens Main Brief, pp. 8, 28-9). In short, the grant by Owens to Hartford of the unlimited right to sublicense under Owens non-suction patents was clearly in furtherance of competition in the industry and did not in any sense constitute an illegal pooling of patents.

The Department seems belatedly to have admitted that since 1935 Owens has not contributed to any patent pool or combination; it has omitted the 1935 Owens agreements with Hartford and Hazel-Atlas from its list in Appendix II to its brief (pp. 250-2) of agreements under which it claims patents were contributed to the pool and has omitted from the list of findings upon which it relies (p. 71) the findings as to the 1935 agreements (F. 421-35, R. 7364-7). The Department had previously admitted that the conferences between Owens and Hartford with respect to Patent Office matters ceased in 1932 (Department's Main Brief, pp. 61, 426). As to Owens there is not now, and since 1935 has not been, a patent pool or combination having a "life and a momentum of its own". Monopoly has not for years been its "normal way of life", if it

ever was. Whatever "habits of concerted action" might have been presumed to have been created by the arrangements prior to 1935 have obviously been dissipated by the past nine years during which Owens has in no wise cooperated or joined with Hartford in any action (Owens Reply Brief, pp. 2-33).

It may further be observed that the Department's suggestion that "habits of concerted action * * * have become deeply embedded" in the appellants is quite at variance with the present facts. As the Department itself notes, (a) a number of Hartford licensees, including two of the largest, refused to pay royalties in view of the decision in this case and did not "capitulate" until the receiver had coerced them by declining to furnish needed equipment or asserted " 'the full authority of a court officer' " (p. 46); (b) a number of licensees, including two of the largest, " 'vigorously resisted' " efforts by the receiver to compel them to renew their Hartford leases and licenses (p. 46); (c) Ball is not evidencing any habit of "concerted action" by contesting the payment of royalties to Hartford on Ball feeder production (pp. 46-7); and (d) certainly Hazel-Atlas found it reasonably easy to break any habit of "concerted action" in vigorously and successfully contesting through this Court the case of *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238. The Department concedes (p. 43) that even if Hartford "were successful in the appeal", it would have "great difficulty in reestablishing its former position"; how, therefore, can it argue that the other appellants would separately have the slightest chance of establishing any monopolistic position if they should lose any part of the appeal to this Court and be subjected to properly injunctive, as distinct from confiscatory, provisions of a decree?

The reply by the Department, to the suggestion in the Joint Brief (pp. 99-102), that Hartford alone be compelled to grant licenses to all-comers, that such a modification would not be satisfactory because it would leave Owens "in control of *the unexpired patents on the suction process*" (p. 84) has already been answered in detail in the Owens Main Brief (pp. 34-5, 73, 75-6). All the basic Owens suction patents have long since expired, 86 out of the 98 suction machines actually in use in the Owens plants being without patent protection and the remaining 12 machines containing only minor specific structures covered by easily avoided improvement patents. There are at least 260 existing suction patents not owned by Owens (Owens Main Brief, p. 74; Appendix B); the Department itself points out (p. 199) that Hartford has many more suction patents than Owens. Owens would not, therefore, be left in control of *"the* unexpired patents on the suction process" nor would it have control over *any* suction patents of the slightest significance.

Since as to Owens there is no pool of patents to be broken up and there are no habits of "concerted action" to destroy, the Department's factual argument completely fails to justify the application of the provisions of Paragraphs 24(a) and 26 to Owens itself, let alone the Owens individual appellants. The purpose of the anti-trust laws is not to compel the continuance of, and then regulate, a monopoly. It is to prevent agreements and aggregations which unreasonably restrain trade and prevent competition. An appellant, even if it has at some time been a party to an illegal combination, should not, after its voluntary withdrawal—or even after the dissolution of that combination by decree—be individually and perpetually regulated as if it alone were a continuing monopoly.

Even if the Department had succeeded in devising an argument which would justify requiring the Owens appellants to grant licenses to all applicants under its present patents, its arguments that such licenses should be royalty-free are particularly inappropriate.

The principal argument advanced by the Department for compelling royalty-free licenses is that patents give appellants an economic advantage over competitors who do not own patents. It is first advanced as to the appellants jointly by the contention that

> "appellants by collecting and dividing royalties among themselves could obtain the same kind of illegal economic advantage *from the combination of patents* that they have enjoyed in the past" (p. 92).

That argument—directed not against the collection of royalties but against "royalty-sharing arrangements, royalty-rebates, and similar preferential arrangements between appellants"—is an example of the manner in which the Department has sought to support provisions of the decree applicable to the individual conduct of the separate appellants as if they applied solely to the joint conduct of all the appellants. None of the appellants save Owens and Hazel-Atlas has ever divided royalties with Hartford. Owens withdrew from the arrangements for such a division in 1935. Considered separately, that division was perfectly legitimate since the royalties received by Hartford for the use of the patents which it owned or under which it had licensing rights was in part attributable to the licenses it granted under the Owens patents; Mr. Justice Brandeis did not even intimate in his opinion in *Standard Oil Co. et al.* v.

U. S., 283 U. S. 163, that those who contributed patents could not receive royalties in accordance with the importance of their contributions.

Its second argument (p. 93) is that, if Hartford should be allowed to continue to collect royalties, a new company "will face a serious and perhaps decisive handicap if it must compete against appellants" with the disadvantage of having to pay royalties to Hartford. That contention completely disregards the fact that the new company would not be at a disadvantage with respect to appellants such as Owens, which pays Hartford's standard royalty rates and whose aggregate royalties to Hartford, during the years 1936-1939, amounted to $2,743,794 (Ex. 782, R. 7929, 7930J-K).

The Department finally attempts (pp. 92-5) to support the royalty-free provisions as to the appellants other than Hartford by arguing that to permit each appellant to collect royalties in respect of the patents owned by it would give it an economic advantage over its competitors.* Its argument as to Owens (p. 94) is that

> "anyone who wishes to operate under *any of* the unexpired patents on the suction process must obtain a license from Owens; assuming that Owens' license charges are no higher than those of Hartford, this person would have to compete against Owens

*The assumption, favorable to the Department, that it is addressing its arguments to the supposed economic advantages each appellant would separately derive is not wholly justified because the Department has woven into that argument such qualifying phrases as "if royalties continue to be collected *on the combination of patents*" (p. 93), "the royalties charged *on the combination of patents* might be reduced to some reasonable amount" (p. 94) and "the court was entitled to require more than compulsory licensing of the patents *in the combination*" (p. 95).

under the disadvantage of a 7.4% differential in costs and a 3.5% differential in price competition".

The first part of that statement contains one completely erroneous statement of fact and one deliberately misleading implication. Anyone "who wishes to operate under *any of* the unexpired patents on the suction process" does not need to obtain a license from Owens; there are at least 260 unexpired patents on the suction process not owned by Owens (Owens Main Brief, Appendix B), and Hartford, on the Department's own admission (p. 199), owns substantially more suction patents than Owens under which Owens has no licensing rights. And the implication that anyone desiring to use suction must obtain a license from Owens is equally misleading; as we have just seen, every one of the suction machines presently used by Owens can be substantially duplicated by anyone without a license, 86 of those machines being completely without patent protection and the remaining 12 containing only unimportant parts covered by minor and easily avoided improvement patents.

The second part of the Department's statement is based upon the wholly unjustified assumption that, if anyone desired a license under the 33 minor unexpired Owens suction patents to which the Department has referred (p. 74),* Owens could collect royalties in an amount comparable with the royalties heretofore collected by Hartford under its

*That anyone will desire a license is highly unlikely. No glassware manufacturer other than Owens has had any appreciable interest in suction for at least a decade, because of the advantages of gob feed. All manufacturers except Ball who did use suction abandoned it by 1930 and Ball finally abandoned its diminishing use in 1940 (Owens Main Brief, p. 36).

great aggregation of dominant feeder and former patents, or, indeed, royalties which in any degree could affect actual or potential competition. In any event, to the extent that those minor unexpired suction patents covering its own inventions give to Owens an advantage over competitors, that advantage is a legitimate one derived from the ownership of its own separate patents which have not for at least nine years—indeed, have never—been any part of an aggregation.

There is, therefore, no basis for the factual argument of the Department that it is necessary to compel the Owens appellants to license their present patents royalty-free. The Department has, in effect, confessed doubts with respect to the validity of its arguments for royalty-free licensing for the life of the patents by indicating (pp. 134-6) the possibility of a short royalty-free period followed by licensing on the basis of a reasonable royalty.

Before discussing the legal arguments upon which the Department relies in seeking to support the confiscation of all present patents, the Department's attempt (pp. 125-8) to show that the requirement of royalty-free licensing does not disregard the intent of Congress should be considered. The Department dismisses as irrelevant the fact that Congress has upon at least ten occasions declined to add patent forfeiture to the specific penalties provided for anti-trust violation on the ground that Congress may have believed "that the provisions of the anti-trust law and the doctrine of improper use, taken together, provide an adequate remedy" and that "additional legislation is unnecessary". But the doctrine of "improper use" first found expression in 1931 in the decision of this Court in *Carbice Corporation of America* v. *American Patents Development Corporation et al.*,

283 U. S. 27. Seven of the ten bills which Congress refused to enact were before 1931 (Joint Brief, p. 99). Congress could not possibly, in rejecting those bills, have had in mind the "doctrine of improper use" first formulated in 1931. Furthermore, the Department's suggestion that Congress may have rejected those bills because it believed that the doctrine of *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, made additional legislation unnecessary is not wholly consistent with the statement by the Assistant Attorney General in charge of the Antitrust Division that the *Morton Salt* doctrine was inadequate and that

> "We believe that a ***greater hazard*** should be put upon the abuse of the patent privilege for cartel purposes than can be found in the *Morton Salt* case". Hearings Before the Senate Committee on Patents, 77th Cong., 2d Sess. (1942), S. 2203 (Part 2), p. 948.

One general legal argument of the Department in support of the royalty-free provisions of Paragraph 24(a) deserves reply only because it illustrates the artful use it has made of ambiguous words. The Department contends (pp. 119-21) that the courts should not follow the same practice with respect to patents as they do with respect to physical assets because a physical asset "has a normal value apart from its value as a part of a monopolistic combination", whereas a patent "has no value apart from its monopolistic value". This argument is essentially a dishonest play upon the dual meaning of "monopoly". It may readily be admitted that the appellants should not be permitted to realize upon values created by an illegal "monopoly". It may also be admitted that the "improper

use" cases refuse to aid a patentee who is seeking to add an illegal "monopolistic value" to the legal "monopolistic value" of a patent. But that is not to say either that the misused patent loses forever the lawful monopoly value which the patent laws confer upon it or that the doctrine of "unclean hands" does not equally apply to physical assets. The courts are still open to the patentee if affording him a remedy will not further his attempt to acquire an illegal monopolistic value and completely open to him when he shall have dissipated the consequences of that misuse.

The patents of the Owens appellants have not derived their value from, and are not the fruits of, any illegal antitrust monopoly; their value lies wholly in the legal "monopoly", or right of exclusion, which is the sole right granted pursuant to the Constitution and the patent laws as a reward for the invention and its disclosure. It is that value upon which they are perpetually enjoined from realizing, not a "value as a part of a monopolistic combination" which, if it ever existed, has been dissolved. Owens's gob patents have been out of the pool since 1935; they stand on their own feet, have for nine years been no "part of a monopolistic combination", and have no "monopoly value" save what the patent laws give them. Its suction and other patents relating to glassware itself and to other glassware machinery have never been in any pool or had any "monopoly value" outside their specific patent claims under the patent law. The entire argument of the Department is specious and possible only because of the double meaning of the word "monopoly" upon which the Department has sought to capitalize. Its subsidiary argument (pp. 116-9) that a patent is like irrigation rights in Puerto Rico or canal rights in a public forest because all

are "privileges" or "franchises" is another of the Department's play on words which has already been answered (Owens Reply Brief, pp. 41-2).

In addition to the Department's deceptive factual arguments and its sophistical legal argument just discussed, the Department relies upon three lines of cases.

The first cases with which it attempts (pp. 89-90) to shore up Paragraph 24(a) are *U. S.* v. *Terminal R. R. Assn. etc.,* 224 U. S. 383, and other cases where combinations of public utilities have similarly been compelled to admit others upon reasonable terms *as an alternative to dissolution.* The *Terminal* case required an association monopolizing means of access to St. Louis to admit, on pain of dissolution, other railroads *on reasonable terms* and to permit non-members to use the association's facilities on similar terms. See also *U. S.* v. *Great Lakes Towing Co. et al.,* 208 Fed. 733; 217 Fed. 656 (N. D. Ohio), appeal dismissed, 245 U. S. 675. And the Pullman Company, which is required to operate sleeping cars manufactured by others but not to give away its own sleeping cars, is to be compensated for that operation. *U. S.* v. *Pullman Co. et al.,* 50 F. Supp. 123 (E. D. Pa.). Those cases afford no support for—indeed, they are inconsistent with—compelling the appellants to license *without compensation.* Nor are they support for simultaneously breaking up the "terminal" *and* requiring the former members thereof to give away their separate assets. Furthermore, since 1935 the Owens appellants have not been a "terminal" or a member of any "terminal".

The Department's second prop (p. 96) is the line of cases requiring dissolution of monopolies or divestiture of assets. *U. S.* v. *Union Pacific R. Co.,* 226 U. S. 470; *Standard Oil Co. (N. J.) et al.* v. *U. S.,* 221 U. S. 1; *U. S.*

v. *American Tobacco Co.*, 221 U. S. 106. Those cases did not require properties to be given away without compensation. Any impairment of value involved in the divestiture of assets was due to the destruction of that portion of the value of those assets ascribable to their being "a part of a monopolistic combination", which both the Department and the Owens appellants agree should not be realized upon by violators of the anti-trust laws. They do not sanction a perpetual and complete destruction of the sound value of assets apart from an illegal monopoly. They are not, therefore, authority for the confiscation of all the patents of each appellant. The similarity of a case (*L. P. Steuart & Bro., Inc.* v. *Bowles*, 64 S. Ct. 1097) holding that the violator of an OPA rationing order may be compelled to surrender all "void ration coupons in its possession" to confiscation of valid patents is scarcely striking.

The final Department's argument (pp. 98-102, 104-5) is the so-called "patent misuse doctrine" most recently expressed in *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661. That doctrine is subject to at least two vital limitations: (1) it does not impose a personal disqualification on the patentee in respect of all his patents but merely disqualifies the particular patent which has been misused as an instrument for the furtherance of that misuse,* and (2) that disqualification continues only until the consequences of

*As this Court has said: "In those cases both direct and contributory infringement suits were disallowed on a showing that the owner of the patent was using *it* 'as the effective means of restraining competition with its sale of an unpatented article.'" *Mercoid Corp.* v. *Mid-Continent Co., supra*, p. 665; "Equity may rightly withhold its assistance *from such a use of the patent* by declining to entertain a suit for infringement * * *." *Morton Salt Co.* v. *G. S. Suppiger Co., supra* (314 U. S. 488, 493).

that misuse have been dissipated.* Neither limitation has been observed in Paragraph 24(a) and only the time limitation has been given lip service in Paragraph 26. Paragraph 24(a) destroys all the patents of each appellant, whether misused or not, for the entire life of the patents, whether or not the consequences of that appellant's misuse have been dissipated. Paragraph 26 disqualifies *each* appellant from bringing suit or collecting royalties upon any of his patents until all the consequences of the misuse by *all* the appellants of *all their* patents have been dissipated, even though that appellant may never have misused a single patent or the consequences of any misuse by that appellant have been completely dissipated.

Recognizing that Paragraphs 24(a) and 26 do not make even a pretense of conforming to the limitation of the *Mercoid* case doctrine to patents actually misused, the Department has sought to show that all the patents of all the appellants, corporate and individual, have been misused and that the consequences of such misuse cannot be dissipated during the lives of those patents (pp. 102-15, 130-2). It contends that all the patents owned by the Owens appellants were either (1) misacquired from others (pp. 112-5), (2) procured from

*The courts have recognized that, under the decisions of this Court, misuse of a patent does not "work an affirmative penalty upon plaintiff such as a forfeiture of the patent or an implied license for the statutory period" or "vest an infringer with a license for the life of the patent, for if a patent owner purges himself of the improper business practices he may then enforce his patent and recover damages for infringement occurring thereafter". *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, 211 (C. C. A. 7th), *certiorari* denied 308 U. S. 609; *Novadel-Agene Corporation* v. *Penn et al.*, 119 F. (2d) 764, 766-7 (C. C. A. 5th), *certiorari* denied 314 U. S. 645; *Sylvania Industrial Corporation* v. *Visking Corporation*, 132 F. (2d) 947 (C. C. A. 4th), appeal dismissed on motion of petitioner, 319 U. S. 777.

the Patent Office through fraud (pp. 108-12), or (3) misused by having been contributed to the patent pool (pp. 102-8).

But the Department does not even charge that Owens now has any unexpired patents which it acquired from others except the eleven unexpired O'Neill patents, only one of which has proved useful even for experimental purposes (Owens Main Brief, pp. 71-2). The patents listed at page 113 of the Department's brief as having been acquired by Hartford and Owens jointly during 1925-1933 were all acquired by Hartford,* with the exception of the O'Neill patents, and Owens has a mere non-exclusive use license thereunder without licensing or sale rights and for which it pays the same royalties paid by all other Hartford licensees.

The four patents which Owens is charged with having combined with Hartford twenty years ago to procure from the Patent Office were issued to Hartford, and the Department concedes (p. 108) that it is Hartford, not Owens, which is disqualified.

On the Department's own argument, Owens therefore now has no misacquired patents other than O'Neill suction patents, and the Record shows that they have proved to be without the slightest value.

The only other ground upon which the Department charges Owens misused any of its patents in such a man-

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*The Department has now belatedly admitted that Hartford did not acquire competing or "blocking" patents by its concession (p. 84) that Hartford's patents are not "divisible on any practical basis" and that new companies capable of competing with each other could not be created "unless all of them were given rights under *all* of the patents now owned by Hartford".

ner as to subject it to the doctrine of the *Mercoid* and related cases is that certain of its patents were "contributed to the patent pool". But as we have seen, according to the Department's own charge, there are only 69 unexpired Owens patents which were ever contributed to the pool and the Department admits that since 1935 Owens has contributed no patents to any pool.

It must not be overlooked, too, that Paragraphs 24(a) and 26 relate not merely to the gob feeder and former patents in the alleged pool, from which Owens withdrew in 1935, and to the suction patents as to which the charge of a pool is without factual basis, but it extends also to all "methods" employed in the manufacture of glassware as well as to all other glassware manufacturing apparatus. As to the first of these categories there is not the slightest charge that there has ever been a pool or any joint licensing arrangements between any of the appellants. As to the latter, there is no suggestion of such cooperation except as to lehrs, and as to those the Department's charges as to Owens are without factual basis (see Owens Main Brief, Appendix A).

The Department has therefore completely failed to prove that Owens now owns *any* patents "tainted with illegality in their very inception" (p. 97) or in any manner misused since 1935. And if it had proved that fact as to some patents, it has not even charged that fact as to patents covering glassware methods; its charge of pre-1935 misuse of lehr patents is baseless. The principle of the *Mercoid* case does not, therefore, apply to any patents of the Owens appellants. In particular, it does not apply to any patents of the individual appellants, none of whom is even charged with having misacquired patents, either from others or through

the Patent Office, or contributed a single patent to the "patent pool".

The Department admits (p. 129) that the application of the provisions of Paragraphs 24(a) and 26 after the consequences of the misuse have been dissipated cannot be justified,* but it argues that the consequences of the appellants' misuse cannot be dissipated during the lives of the patents. It first repeats (pp. 130-1) its arguments with respect to procurement of patents by fraud or illegal acquisition which, as we have just demonstrated, are not applicable to Owens. The only other argument advanced (pp. 131-2) for the destruction of all the patents of the Owens appellants is that five years ago, when the complaint was filed, "Hartford, Owens and Lynch monopolized the manufacture of the automatic glassmaking machinery" (despite the undisputed fact that since 1918 Owens has not been engaged in the business of manufacturing glassware making machinery); that "Owens and Hazel and Hartford dominated and controlled the manufacture of unpatented glass containers"; that "Thatcher and Owens" monopolized the milk bottle field; and that "Ball, Hazel and Owens" monopolized the fruit jar field. Those arguments have been shown to be completely erroneous at pages 72-86 of the Owens Main Brief. Even if they had some semblance of truth, they would not justify the present confiscation of all the patents of the Owens appellants at a time when they are not, and have not for nine years been, members of the

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*Its inconsistent argument (pp. 125-6) that the misused patent doctrine "accomplishes the same practical results that would be accomplished by cancellation or compulsory licensing" is plainly wrong and presumably inadvertent.

combination alleged jointly to have exercised that illegal domination.

In summary, none of the Owens patents has been part of any pool since 1935 or in any manner misused since that date. Owens owns no patents which can be described as fruits of the conspiracy. Whatever consequences there may have been as the result of the contribution prior to 1935 by Owens of patents covering its own inventions have obviously been completely dissipated in the nine years which have elapsed since Owens ceased to participate in the "pool". The doctrine of the *Mercoid* and prior cases is plainly no longer applicable to the Owens patents if, indeed, it ever was; it clearly has never been applicable to the patents of the individual Owens appellants.

Paragraph 26 is superfluous by the Department's own admissions. To justify the Hartford receivership, it has urged (p. 47) that "Without the receivership, many of the licensees would have refused to pay any royalties to Hartford" because of the patent misuse doctrine. To justify Paragraph 24(a), the Department has contended (pp. 98-102) that at least many of the patents of the appellants are unenforceable because of that doctrine. If there has been illegal acquisition or misuse of patents, as contended by the Department, then the doctrine of the *Morton Salt* case and the many other cases cited by the Department will create an absolute defense against any suits to enforce such patents until the effect of the misuse has been dissipated. By the Department's admission even the Hartford licensees will be disposed to assert such defenses whenever they are at all applicable. No such catch-all injunction as Paragraph 26 (a) and (c), applying to all the appellants' patents, even in fields not dealt with by the complaint or the record, is

necessary to prevent the enforcement of patents which, according to the Department's contention, are unenforcible as a matter of law.

(b) Confiscation of Future Patents.

The Department seeks (pp. 136-44) to support the provisions of Paragraph 24(b), requiring each appellant to grant licenses to all applicants under all future patents at royalty rates to be approved by the District Court, on the basis of the same arguments which it made upon the original argument of the case. Of particular significance is its failure to seek support in the *Mercoid* case doctrine, which was the cornerstone of its argument that compulsory licensing of present patents was proper; obviously no unapplied-for and unissued patent could have been so misused as to justify the application of that doctrine.

The Department's basic argument is that the appellants not only have "control of the existing technology of the industry" but also can "reasonably expect to control the future of that technology" (p. 138). That argument has been completely answered at pages 105-8 of the Joint Brief.* It is not necessary to repeat that reply in detail. It is, however, appropriate to note that the Department studiously avoids stating whether that control is joint, an argument which would obviously be irrelevant in view of the prohibitions of the decree against concerted action, or whether that control is several, which would clearly be

*The only variation the Department has introduced (p. 138) is to twist the appellants' statement (Joint Brief, p. 185) of the obvious fact that the sole market for independent inventions consists of those engaged in the industry to which the invention relates and that the appellants therefore comprise *a* substantial market into a concession that they constitute *"the* principal market".

impossible since eight corporate defendants patently cannot each severally control and dominate an existing technology. The Department's concession (p. 43) that Hartford, even "if it were successful in the appeal to this Court", would have "great difficulty in reestablishing its former position" presents an interesting contrast to this argument of the Department that, even if the other appellants should lose on this appeal and become subject to reasonable injunctions prohibiting concerted action, each will be able to establish for itself a position which it never occupied.

The only quibble which the Department has been able to direct against the argument of the appellants is that they stated in their Joint Brief that not a single Record citation supported the Department's argument that the "effect of the appellants' arrangements has been to discourage competitive research" and that the appellants were "in a position where they could reasonably expect to control the future of that technology". The fact is that there is no support in the record, and there is no finding—and the Department does not attempt to find any such support or finding (pp. 71, 136)—for its basic contention that the appellants have "control of the existing technology of the industry" and are "in a position where they could reasonably expect to control the future of that technology".

That there is no support in the record for such a contention is not surprising, particularly since that "control" is supposed to have been accomplished through patents. Technology is not a static thing controlled by patents having limited lives; the history of Owens attests to that. The basic invention by Michael J. Owens, a glass blower, of suction gathering of glass just before the turn of the century revolutionized the manufacture of glass contain-

ers. His patents covering inventions made about 1903 covered the basic suction principles. But they did not give Owens control of the technology of the manufacture of glassware. Its suction process was superseded by Hartford's development of the "gob feed" process within ten years. And now Owens owns no basic or other patents controlling suction; at least 86 out of the 98 machines in use by it are completely free of patent protection. Its "control" over glassware technology—which until the invention of suction had remained essentially the same since the days of the Pharaohs—lasted only as long as it took other inventors, stimulated by the invention, to develop alternative machinery and methods.

It is unimportant that the Department has been able, in a single sentence in a single exhibit, to find some fragment of support for speculation that the 1924 agreement between Hartford and Owens—canceled by the 1932 agreements (Ex. 144, R. 8784), in turn canceled by the 1935 agreements (Ex. 569, R. 9190)—discouraged experimentation on feeder type machines by Owens. If the 1924 agreement did discourage Owens research, it has not done so since it was canceled. Furthermore, the Record shows that it did not have that effect. During the 24 years from 1906 to the date of the memorandum Owens had patented a total of 52 inventions covering feeders and feeder-fed formers; in the six years after October, 1929, Owens made and patented at least 20 inventions relating to feeders and feeder-fed formers (Exs. 1597, R. 8219; 0-5953, R. 12033; H-6104, R. 11064).

The only other factual argument made by the Department (p. 139) is that prohibition of past misconduct will

not remedy the situation created by "the appellants' " control over existing technology—which just does not exist—because the decree cannot achieve its purpose

> "if the day after it is entered the *appellants* are free to begin in the Patent Office a new *campaign* for dominance in which *they* can use all the power *their* present control of research and technology gives *them*".

This argument is the by now familiar example of the fallacy which underlies the majority of the Department's arguments (Joint Brief, pp. 105-8): Every appellant must be deprived completely of its or his separate and individual normal patent rights, of its or his individual right to engage in normal business practices and conduct lawful competition, because the other provisions of the decree prohibiting concerted action will be ineffective. The mere separate ownership of patents, with the freedom to license or not, does not "present a threat of a renewal of the conspiracy or of other acts of illegal monopolization" (p. 140) nor does it permit a joint "campaign".

It may be conceded that

> "acts innocent *per se* are properly enjoined *if they are steps in a conspiracy* * * * that antitrust judgments may enjoin not only repetitions of the *illegal practices* shown to have occurred in the past, but also the performance of *similar or related acts* in the future" (pp. 140-1).

But if illegal acts were committed by any appellant, it was not in the simple act of obtaining, without fraud or other malpractice in the Patent Office, a patent on its own invention and determining, apart from any conspiracy or com-

bination, whether or not to grant licenses under it. It is equally settled that a court of equity cannot enjoin the commission of acts innocent *per se* if they are not steps in and do not present the remotest danger of a future violation of the anti-trust laws. The mere making and patenting of an invention is not such a step and presents no such danger justifying the destruction as to future inventions of the fundamental patent right of exclusivity.

The Department seeks to bolster its factual arguments by reference to two cases (p. 141). In the first, *United States* v. *du Pont*, 1 Decrees and Judgments in Federal Anti-trust Cases, 195 (D. Del.), du Pont merely agreed for a limited period to furnish certain limited technical information to two new companies to which it had consented to transfer the assets and business in explosives which it had theretofore operated as a single business of its own and which of course had had the benefit of its research.

The other authority upon which the Department relies is a single sentence in the opinion of Mr. Justice Brandeis in *Standard Oil Co.* v. *U. S.*, 283 U. S. 163, 172:

> "Unless the industry is dominated, or interstate commerce directly restrained, the Sherman Act does not require cross-licensing patentees to license at reasonable rates others engaged in interstate commerce."

That sentence was obviously not directed at the appropriateness of compulsory licensing as a remedy but at whether or not failure to license others under conditions which cannot hereafter exist, if they ever did exist, in the glass industry was a violation of the anti-trust laws. Prior unsuccessful efforts have been made to interpret that sentence in accord-

ance with the use made of it by the Department. In all cases the courts rejected that contention. *F. A. D. Andrea, Inc.* v. *R. C. A.*, 14 F. Supp. 226 (D. Del.), affirmed 88 F. (2d) 474 (C. C. A. 3rd), *certiorari* denied 300 U. S. 681; *R. C. A.* v. *Hygrade Sylvania Corporation*, 10 F. Supp. 879, 883 (D. N. J.). As counsel for Andrea in the *Andrea* case (seeking to compel, not a royalty-free license or a license at royalties to be fixed by the court, as contemplated by Paragraph 24, but a license at the same royalties as were being paid by other licensees) is quoted (p. 228) as having frankly stated with respect to his position:

> "It is new law. There is no question in the world about that. Frankly, the only thing squarely in point, is Justice Brandeis' language, and the broad principles."

The court in the *Hygrade* case made pointed reply (at p. 883) to the Department's contention:

> "There is no law that one who restrains trade forfeits one's property to any person who chooses to take it."

Finally, the Department dismisses the appellants' objections to the perpetual confiscation of future patents by conceding that the appellants should have an opportunity in the future to attempt to modify the decree and "to prove that the consequences of their misconduct have been dissipated" (p. 142). But the patents have not yet issued. Applications for them have not yet even been filed. In fact, the inventions have not yet been made or conceived. How, therefore, can they have been misused or there be any consequences to be dissipated? The Department's suggestion that the confiscation of future patents should be left in the

decree because, at their own expense, the appellants are free in the future to hazard the chances of a petition—addressed to the same court which accepted *verbatim* the Department's draft of decree—to modify the decree is no answer to the obvious fact that Paragraph 24(b) is at the present moment completely unwarranted.

In conclusion, it should once again be emphasized that the granting of a patent takes nothing from society, particularly under the higher standards of patentability being formulated by this and other federal courts. Entirely apart from the Constitution or the patent laws, the invention belongs to the inventor and he can practice it in secret or license it as a secret process entitled to the protection which the common law affords. But Congress, pursuant to Constitutional mandate, has made a compact with inventors—not primarily to encourage them to make inventions, for it may be admitted that inventors will frequently invent without the stimulus of reward—but for the essential purpose of inducing them to reveal their inventions and limit to the statutory period the monopoly inherent in the advantage which the invention itself confers. So long as Congress adheres to the spirit of the Constitution and continues to provide that a patent shall grant "for limited times to * * * inventors *the exclusive right* to their respective * * * discoveries", we are committed to the economic philosophy that a patent should confer a monopoly of the invention and should not be merely a right to collect royalties.

There is nothing in this case, and particularly there is nothing in the Record with respect to the Owens appellants, who have been withdrawn from the alleged conspiracy for a full nine years, to justify the perpetual denial to them of the sole right conferred under the Constitution by the patent laws.

To continue for all times to regulate the businesses and destroy the patents of the several Owens appellants as if they were members of a continuing conspiracy is not only to go far beyond the legitimate scope of a decree in equity but to contravene the intent of Congress, which has specifically rejected the proposal that a patentee who has violated the anti-trust laws should be compelled to license all his future inventions at reasonable royalties (S. 2783, 70th Cong., 2nd Sess. (1928)).

(2) Paragraph 29—The Department Has Failed to Justify the Perpetual Prohibition in Gross of Normal Licensing Practices and the Imposition of a Super Robinson-Patman Act.

(a) Prohibition of Limited Licenses.

With the semantic efficiency which characterized its misleading use of the word "monopoly" (*supra*, pp. 29-30), the Department has described (pp. 151-62) the act of a patentee in partially waiving his right wholly to exclude as "restrictive licensing". By this device it conveys the wholly unsound impression that a patentee who grants less than all his rights under a patent, and thus gives the licensee a right to make a use of the invention which he otherwise would not have had, in some way restricts that licensee. The grant of a limited permission to use what, in the absence of a license, belongs exclusively to the patentee thus becomes transformed into an agreement restraining trade. On the Department's theory, a gift of $1,000 would be "restrictive" against the donee because, forsooth, the donee could live more luxuriously were the gift $1,000,000. This clever, but specious, use of words is the cornerstone of the

Department's effort to support the provisions of Paragraph 29(a) and (b).

It should be made clear at the outset that this is not the Paragraph by which the Hartford licensing system is either disestablished or suppressed. That system is destroyed by Paragraphs 27 and 28 and it is suppressed for the future by Paragraph 30. Paragraph 29 enjoins the granting by a single patentee under a single patent to a single licensee of less than all the patentee's rights if he grants any of those rights. Among the limitations specifically enjoined are those which do nothing but limit the amount, the place, or the nature of the licensed use of the invention.

The purpose of the Department in incorporating Paragraph 29(a) and (b) in the decree is stated by it as follows (p. 153):

> "* * * the defendants should be enjoined from ever again using licenses for the purpose of imposing restrictions upon the industry, or any member thereof, which have the effect of restraining the freedom of competition required under the Sherman Act."

But the Sherman Act does not repeal the patent law and require a patentee to waive his entire right to exclude under a patent if he waives any part of that right. If Hartford's limited licenses violated the anti-trust laws it was only because of the alleged conspiracy between all the appellants to divide the glassware field, carried out principally through the agency of the Hartford licensing system. The law is clear that, although a single patentee may legally divide his statutory monopoly under a patent into as many small bits as he desires, he violates the anti-trust laws if that division of his monopoly is carried out as an integral part of a conspiracy between him and his licensees. Owens

would not contend that any injunction against such a misuse of licenses would be inappropriate if, as Owens denies, it is found so to have participated in such a misuse as to create danger of recurrence.

What the Owens appellants do contend is that they should not for all time be faced with the alternative of either refusing wholly to license under their patents—assuming Paragraph 24 is eliminated from the decree and they have that choice—or of completely waiving their rights to exclude under their patents. Paragraph 29(a) does not apply solely or even primarily to licenses employed in a conspiracy but perpetually prohibits in gross a single patentee from reserving to himself any part of his statutory monopoly under a single patent if he shall grant any license under it. If Owens's research in the glassware field should develop a new process having application both to products it makes and to products which it does not desire to manufacture, it should be free to permit others to use that process without being compelled to sacrifice its exclusive right in the fields in which it is engaged.

And there is no reason, either in the Record or in general economic theory, for prohibiting Owens from doing just that. Licenses, even if exclusive and limited to defined fields, do not, as the Department charges (p. 156), "erect a network of private monopolies" or "impose restrictions". They divide among a number of manufacturers the legal monopoly of the invention conferred by the patent upon one. Of course, any such license affects the supply of the patented item or of the product of a patented machine or process, but that effect is not, as the Department suggests (p. 157), adverse. Every such license, however limited, has the necessary effect of increasing that supply, for the mere act of granting the license establishes at least two, the patentee

and the licensee, as sources of supply, whereas before the granting of the license the patentee was the sole potential source. The license assures an actual, as contrasted with a merely potential, source of supply in the licensed field; the patentee may not intend, or have facilities, to make use of the invention in the licensed field, but the act of the licensee in seeking a license is proof that he intends to produce under it.

Furthermore, the licensee is in no manner affected or restrained by his failure to obtain a license in the field reserved by the patentee. The acceptance of the license is not an agreement by the licensee to stay out of the unlicensed field;* he can manufacture in that field by any process or machine other than the patented one and he can even use or sell the patented invention if he wishes to risk a suit for infringement, since the admission of validity implied in his acceptance of the license is limited to the precise scope and term of the license. *International Burr Corporation* v. *Wood Grinding Service, Inc.*, 34 F. (2d) 905, 909 (C. C. A. 2nd); *Indiana Mfg. Co.* v. *Nichols & Shepard Co.*, 190 Fed. 579, 584 (C. C. E. D. Mich. S. D.). As to the unlicensed field he is in precisely the same position as if he had taken no license in any field.

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*This point requires emphasis in view of Mr. Justice Black's statement in his dissenting opinion in *General Talking Pictures Corp.* v. *Western Electric Co. et al.*, 304 U. S. 175, 184, that the licensee had contracted with the patentee not to sell equipment for unlicensed purposes. If the license agreement there involved contained an affirmative covenant not to engage in unlicensed business, that covenant was not typical of the vast majority of limited licenses and is not the type of provision involved in this discussion or in this case. If the license agreement merely negatived a grant of rights under the patent outside the scope of the license, such provision did not amount to an agreement by the licensee not to engage in unlicensed business.

It is therefore obvious that Paragraph 29(a), by compelling the appellants to choose between granting no licenses and granting wholly unlimited licenses restrains and does not promote competition. Faced with that choice, a patentee will in many instances use a patented machine or process solely for the purposes which his business requires; other uses will not be exploited because the patentee will be unwilling to sacrifice his legal monopoly in connection with his own operations. The purpose which the Department purports to have had in drafting Paragraph 29(a) is therefore in fact defeated by its injunctions.

Realizing that the prohibition of limitations in so far as they affect only the use of the invention itself cannot be supported, the Department seeks to justify Paragraph 29(a) as if it prohibited only control of unpatented products of patented inventions (pp. 157-62). But the majority of the prohibitions of Paragraph 29(a) do not relate to the use of, or other dealing with, the product of a patented process or machine but affect the use of the invention itself. An appellant is prohibited from granting a license limited as to (a) the type, kind, character, weight, color, capacity or composition of the glassware produced by the patented machinery, method or process, *i.e.*, the character of the use of the invention (clauses (1) and (3)), (b) the quantity of glassware so produced, *i.e.*, the amount of use of the invention (clause 4), or (3) the place of use of the invention (clause 7). None of those controls "the marketing of the unpatented glassware"; they are all limitations upon the extent to which the patentee permits the licensee to use the invention itself. With respect to the validity of these there can be no doubt. As this Court said on rehearing in *General Talking Pictures Corp.* v. *Western Electric Co., et al.*, 305 U. S. 124, 127:

> "The practice of granting licenses for a restricted use is an old one * * *. So far as appears, its legality has never been questioned."

Debatable ground is reached only when, as the Department points out, the limitation affects the use of, or dealing with, unpatented products resulting from the use of the patented machine or process. In that debatable area the basic question is whether the limitation is "reasonably within the reward which the patentee by the grant of the patent is entitled to secure". *U. S.* v. *General Electric Company, et al.*, 272 U. S. 476, 489-90. This is not a proper proceeding, and the Record does not present the facts necessary, for this Court to determine whether it will overrule the *General Electric* case.* For example, the Record contains no evidence, and the District Court expressly refused to find (Op. R. 143), that any of the licenses granted by any of the appellants ever contained a provision seeking to regulate the price or other terms of sale of products produced under licensed inventions.

The Department diffidently suggests (p. 161, fn. 84) that some of the numerous cases supporting the practices prohibited by Paragraph 29(a) and (b) (Joint Brief, pp. 121-4) "seem" to rest upon reasoning repudiated by this Court in *U. S.* v. *Masonite Corp. et al.*, 316 U. S. 265. That suggestion is wholly unwarranted; this Court recently

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*Compare *Straight Side Basket Corporation* v. *Webster Basket Co., Inc.*, 82 F. (2d) 245 (C. C. A. 2d), explicitly holding lawful the establishment by the patentee of the prices at which the licensee might sell products manufactured by the use of the licensed machine, with *American Equipment Co.* v. *Tuthill*, 69 F. (2d) 406 (C. C. A. 7th), holding invalid an agreement, entered into as part of a conspiracy, which fixed the price of bricks handled, but not produced, by patented machines.

stated as axiomatic that a patentee, so long as he stays within the scope of his patent monopoly,

> "* * * may grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege". *Ethyl Gasoline Corporation et al.* v. *U. S.*, 309 U. S. 436, 456.

Nor does the fact that the decision in *General Talking Pictures Corp.* v. *Western Electric Co. et al., supra* (304 U. S. 175), was by a divided court indicate, as the Department suggests (p. 161), that a patentee is required to grant the whole of his statutory rights under a patent if he grants any part. The *Talking Pictures* case involved the question whether a *purchaser* of amplifiers for commercial use with knowledge that the manufacturer thereof was licensed to sell only for private use was liable for infringement; the issue as to whether a patentee has "the privilege, after sale, to control—apart from contract—the use of all patented merchantable commodities" is very different from the question whether the patentee has the right (denied in gross by Paragraph 29(a)) before sale and by contract, to reserve to himself *as against the licensee* some part of his patent rights if he grants a license.

The Department has admitted that its excessive zeal in the drafting of the decree and its desire permanently to put the appellants "in a different class than other people" with respect "to any product made by any of the defendants" (R. 6905-6) has resulted in a much broader application of Paragraph 29 than can be justified and has consented to confining it to glassware. The result of that belated admission is, as the Department correctly observes (p. 162), to make Paragraph 29(a) completely superfluous

if Paragraph 24 remains in the decree, since under Paragraph 24 every applicant is entitled to a license in any field. But, as in the case of Paragraph 24, even the limited application suggested by the Department would extend Paragraph 29(a) into fields as to which there is neither charge in the complaint nor evidence in the record of either cooperative action or limited licensing, for example, methods and processes for dealing with glassware and glassware machinery other than gob feeders and formers and (we submit erroneously) suction apparatus.

The great number of cases, and the explicit provision of the Patent Law (35 U. S. C. § 47), supporting the right of a patentee to grant to a licensee less than all his rights under a patent may not be brushed aside by the Department, and the Owens appellants, who have had no connection with the Hartford licensing system since 1935, deprived perpetually of the right to engage in normal licensing practices. As this Court has said:

> "Congress has been liberal in enacting remedies to enforce the anti-monopoly statutes. But in no instance has it indicated an intention to interfere with ordinary commercial practices." *U. S.* v. *Bausch & Lomb Optical Co. et al.*, 321 U. S. 707, 728.

(b) Paragraph 29(c).

This Paragraph enjoins any provision in a single license granted under a single patent by a single patentee that the licensee shall not contest the validity of the licensed patent.

The Department defends (pp. 163-4) the injunction as "necessary to prevent certain illegal forms of such agreements as well as the use of the legal forms as parts of an illegal plan". But that is not the injunction. The Para-

graph prohibits an admission by a single licensee of the validity of a single patent in an entirely legal form and entirely divorced from any illegal plan. Indeed, it is susceptible of being construed as denying to the appellants the ordinary rule of the patent law that the patentee does not warrant the validity of the licensed patent and that the licensee is therefore estopped, in an action by the licensor for royalties due under the license, from denying the validity of the licensed patent within the scope and during the term of the license. The denial to the appellants of that accepted rule would for many purposes be the equivalent of compelling them to warrant the validity of all patents under which they granted licenses.

(c) Paragraph 29(f).

Paragraph 29(f), modified in accordance with the concession of the Department, prohibits any grant to "any licensee, lessee or vendee" of a patented glassware product, machine, method or process which confers "a preferential position" by specified means—lower royalty rates, different provisions, exclusive licenses, discounts, etc.—or "by any other means". The Paragraph thus constitutes a super Robinson-Patman Act imposed upon the appellants but differing from the Robinson-Patman Act in that (a) it applies not only to sales but also to leases and licenses and (b) it makes mandatory complete uniformity in the treatment of licensees, lessees or vendees contrary to the fundamental principle that a patentee may, subject to the reasonable restraints imposed solely upon vendors by the Robinson-Patman Act (49 Stat. 1526), differentiate between licensees or vendees. In so far as the Paragraph relates to the leasing of machinery, it is rendered unnecessary by

Paragraph 21, which prohibits that normal method of competition; in so far as it relates to the sales of machinery, it is superfluous in view of Paragraph 25.

In its customary fashion, the Department contends (pp. 166-7) that Paragraph 29(f) does not mean what it says. For example, it does not prohibit the granting of an exclusive license but merely enjoins the granting of an exclusive license when it would result in conferring a "preferential position" upon the licensee, although it is rather difficult to imagine how one could obtain an exclusive license not accompanied by some advantage over unlicensed competitors. The Paragraph explicitly provides that the appellants shall not grant to anyone "a preferential position * * * *by* different provisions of * * * sale", but the Department contends that the qualifying provisions of the Robinson-Patman Act, which Congress thought necessary to insert in that Act, are "clearly" to be read into the unqualified language of the Paragraph. It may be observed that the Department's suggestion that the unqualified language should be read as if it were qualified is not likely to be of great assistance to an appellant when he is summoned before a court for contempt.

Again the Department seeks to support the Paragraph as if it were a reasonable measure directed toward the disestablishment of leasing and licensing practices by Hartford (p. 166). The Paragraph obviously has a much broader effect. It applies to each license, lease or sale by each appellant of any product, machine, method or process relating to glassware. It is applicable to each of the appellants in fields to which the complaint does not even remotely relate and as to which there is neither evidence in the record nor findings —methods and processes of handling glass and sales of patented glassware.

(3) Paragraphs 33-6—The Department Implicitly Concedes That These Paragraphs Require Modification Because Their Language is Broader Than Their Purpose.

The Department asserts (p. 173) that Paragraphs 33-6, containing prohibitions against the holding or acquisition of stock, bonds, evidences of indebtedness or assets and the holding of corporate offices, are "plainly designed to insure the maintenance of competition" by "preventing the companies from collaborating and refraining from competition". The appellants contended (Joint Brief, pp. 139-48) that the broad prohibitions of these Paragraphs should be limited in order to make them consistent with that purpose, that they should prohibit only the holding or acquisition of stock, bonds or evidences of indebtedness in corporations truly competitive and in such amounts as to affect that competition and should enjoin the holding of corporate offices only in truly competitive corporations. The Department has replied (pp. 175-6) that the Paragraphs are restricted to corporations in the glassware and glass machinery industries and that all such corporations are actual or potential competitors.

Once again the Department overlooks the specific language of the decree. It is true that several of the appellants are competitors of some of the others, and the appellants have raised no objection even to a blanket prohibition of interlocking holdings between any two of them, whether or not in competition with each other. But a beverage company a minor part of whose business consisted in manufacturing a few bottles for its own use would, under the definitions of the decree, be engaged in the glassware business, although obviously not a competitor of any of the

appellants. An individual appellant would subject himself to punishment for contempt by buying one share of the common stock of that beverage company even though it is obvious that competition could in no wise be affected, let alone restrained.

The Department contends (p. 176) that to make these Paragraphs fit their purpose would destroy their efficacy. However, it is perfectly obvious that, if the suggestions of the appellants (Joint Brief, p. 145) be thought insufficiently precise, the prohibition against the acquisition of stock, bonds or other evidences of indebtedness could be stated in terms of a percentage, enjoining, for example, the acquisition of in excess of, say, 5% of the voting stock of a competing corporation or 10% of its non-voting stock or bonds or other evidences of indebtedness. Similarly, a competing corporation could be defined in terms of the percentage of its business devoted to the manufacture of glassware or in terms of the dollar amount of its gross sales of glassware during any year.

Paragraph 36 further exceeds the purpose of the Department "to insure the maintenance of competition" by enjoining a single appellant from acquiring "any of the assets" —even one machine—of another company technically in the glassware industry though it may be operating in an entirely different field to no extent competitive with the appellant. It thus effectively restrains an appellant from expanding its business into new fields. And that restraint is imposed on the basis of a record which shows no acquisition of physical assets by Hartford since 1925, by Lynch since 1933, by Thatcher since 1934, by Owens since 1936 (and that of a non-competing, non-container company, which enabled Owens to expand its business into a field in which

the Department charges it had not theretofore been adequately competitive with Corning), or by Ball since 1936, and no acquisition at any time by any of the individual appellants. There is therefore, on this record, no present basis for including in the decree an injunction against the acquisition of assets, even if modified to limit it to competing assets. Any such future acquisition by any appellant should, if criticized by the Department, be made the subject matter of an independent anti-trust proceeding on its own facts and not of a contempt proceeding under this decree. The decree must be so modified as to thwart the purpose of the Department, boldly declared before the District Court (R. 6900), never again to try any of these appellants for an anti-trust violation but to substitute contempt proceedings under this decree for ordinary civil and criminal processes if at any time any of them transgress the Department's concepts of lawful business conduct.

One further point made by the Department would not be worth notice were it not characteristic of the Department's arguments. The appellants stated (Joint Brief, p. 144) that there was no finding that any individual appellant ever acquired the assets of a single glassware corporation, firm or individual. The Department (p. 178) seeks to cast doubt upon the accuracy of the appellants' Joint Brief by pointing out that one part of an uncontested finding states that certain patent licenses were assigned to the individual appellant Belknap (F. 144, R. 7307-8). That finding was not cited by the appellants for the obvious reason that Belknap acquired those licenses solely as a conduit to pass them from the vendor to Feeder Patents Company, which paid the purchase price for the licenses (Ex. 99, R. 8739-43). And in any event the single acquisition by

one individual of patent licenses back in 1925 is hardly the kind of an acquisition of "assets" to justify the provisions of Paragraph 36(B) or their application to all the individual appellants.

(4) The Department's Arguments Concede That Paragraph 40 Is Too Broad.

The Department has stated (p. 184) that the purpose of Paragraph 40 is to prohibit certain "action taken in concert" and to apply "to the appellants the law relating to illegal trade association practices". Its entire argument (pp. 182-7) has been directed to justifying the Paragraph as a disestablishment of alleged illegal activities by the Glass Container Association.

But, again, the injunction goes far beyond the purpose of the Paragraph. It applies to *any* agreement between any appellant and (a) "any other defendant", (b) "any other manufacturer" of glassware or glassware machinery or (c) "any other seller" of glassware or glassware machinery within its broadly defined subject matter. It therefore applies not only to "illegal trade association practices" but to normal and ordinary commercial transactions, including agency contracts, consignment agreements, service contracts, agreements of sale and the like. It prohibits, for example, an agreement between an appellant and a consignee, who "sells" glassware, as to the price at which the appellant's glassware is to be sold. Supported by the Department (p. 185) as if it applied only to "combinations or conspiracies" to engage in illegal trade association practices, it specifically prohibits the simplest form of normal commercial agreement.

This Paragraph, like so many of the other Paragraphs discussed in this brief, the reply briefs of the other appellants and the Joint Brief, illustrates a point which has been

emphasized throughout those briefs. On its face a Paragraph may look as if it were reasonably aimed at preventing and restraining the recurrence of illegal practices found to have been engaged in by some of, but not all, the appellants. Even a superficial examination, however, reveals that it goes far beyond the now asserted purpose of the Department in drafting it or any purpose reasonably related to any issue raised by the Record.

(5) The Department's Arguments Concede the Inappropriateness of Paragraph 51.

The Department's factual argument in support of Paragraph 51—perpetually enjoining any appellant from acquiring any patent or exclusive rights thereunder covering any glassware invention similar or alternative to one already owned by the appellant—is that the "patent pool today contains between 900 to 1,000 patents" (p. 198) and that the "pool of suction patents includes" 127 patents (80 of which are owned by Hartford and only 47 by Owens) plus the Hazel and Lynch suction inventions (pp. 199-200). As to the Owens appellants at least that argument is factually erroneous on all counts. In the first place, there is no gob patent pool today; Owens has contributed to no such pool since the cancelation of its 1932 agreements in 1935, a fact which is conceded by the Department (pp. 250-1).

The alleged suction pool is a figment of the Department's imagination. Hartford has no rights under the Owens suction patents. Owens has merely (a) its own suction patents, (b) the O'Neill suction patents which it acquired in 1933 as the result of negotiations initiated by O'Neill, (c) non-exclusive rights to use, but not to license or sell, under Hartford's suction patents, and (d) non-exclusive rights under Hazel and Lynch suction patents (F.

221, 330, 512, 522; R. 7326, 7347, 7378, 7380), of which there are none of the slightest importance (Owens Main Brief, pp. 37, 68).

According to the Department the purpose of Paragraph 51 in enjoining each appellant from acquiring patents from outsiders is to prevent "the *illegal* acquisition of patents and exclusive rights" (p. 198) and to prohibit them from again seeking to "control *through a patent pool* the distribution of glassware machinery and glassware" (pp. 201-2). By so frankly stating the purpose of the Paragraph the Department concedes that the broad injunction, characteristically going far beyond that declared purpose, is inappropriate. The appellants are not merely enjoined from "illegal acquisitions" or acquiring patents to be used to "control through a patent pool"; were the injunction so limited the Owens appellants would have no objection to it. The objection is that the Paragraph enjoins the entirely legal acquisition of a single "alternative" patent by a single appellant.

In determining the inappropriateness of Paragraph 51 as to the Owens appellants, the relevant facts are that the last acquisition by Owens of any patent rights from outsiders was in 1933, eleven years ago, that in the entire period covered by the Record there are shown only 5 acquisitions of patent rights by Owens itself from outsiders, and that no individual appellant is shown ever to have acquired a single patent (Owens Main Brief, p. 176).

(6) The Department Has Conceded That the Injunctions of Paragraph 52 Go Far Beyond the Purpose of the Paragraph.

The Department states (p. 205) that the purpose of Paragraph 52 (which as a practical matter denies each

appellant the right to patent its own inventions in any field in which that appellant already has a patent) is "to strip the appellants of the power to revive the practices" which "gave to the *patent pool* the power to harass" other glassware manufacturers.

The injunction of the Paragraph goes far beyond that purpose.

It is not directed against practices by the now nonexistent pool but subjects each appellant to risk of contempt proceedings every time he files an application for a patent covering a single invention made by him.

Nor is it directed against practices in which any appellant—other than possibly Hartford—ever engaged. If Hartford had a policy of "fencing in" and "blocking off" at any time, the findings limit it to a period fifteen years ago (F. 194-5, R. 7319-20). Despite the contrary arguments of the Department in the face of the absence of a single finding of fact, that policy, if it ever did exist, was never participated in or adopted by Owens, against which, according to the Department's own finding of fact (F. 194; R. 7319) it was specifically directed.

The Department attempts to connect Owens with the alleged Hartford policy by five arguments:

(1) It contends (p. 206) that the O'Neill suction patents acquired by Owens in 1933 illustrate the practice of "fencing in". The facts, stated in detail in the Owens Main Brief (pp. 71-2), are that O'Neill, who was old and in poor health, had since 1925 desired, and instituted negotiations, to sell out (Ex. 698, R. 13312). O'Neill had one suction patent of potential use to Owens, a patent covering a stationary pot the essential feature of which was an "overhanging lip" designed to keep the molten glass hot. In order to acquire that patent, it was

necessary to purchase all O'Neill's suction patents, since O'Neill was interested only in selling all his assets. Owens intended at the time of purchase to use the stationary pot patent; Owens continued to experiment with it; and Owens designed a machine especially for use with it which unfortunately proved unsuccessful. The only patent acquisition cited by the Department disproves its contention that Owens purchased patents for the purpose of putting them on the shelf.

(2) The Department states (p. 206) that the Owens "patents relating to feeders and formers, obtained after the 1924 agreement and not used *by Hartford* * * * are, in large part, patents obtained by Owens for the purpose of 'fencing in' the feeders and formers of outsiders". The Department cites not a single record reference in support of its speculation that Owens obtained those patents for the purpose of "fencing in" and we know of none. Hartford has had licensing rights under all those patents, non-exclusive since 1935; that *Hartford* may not have been able to make practical application of all those patents scarcely sustains a charge, unsupported by anything in the Record, that *Owens* acquired them to "fence in". It would, indeed, be a rare research, or even manufacturing, organization which found it possible to make practical application of every patented invention which it had developed, or under which it had licensing rights, over a period of more than 30 years.

(3) The Department states (p. 207) that there are findings "that the *appellants* had engaged deliberately in a policy of 'blocking off' and 'fencing in' ". That is a deliberate misstatement. The findings (F. 194-5, R. 7319-20) are, not that the *appellants,* but that Hartford

engaged in those practices *during 1927-9*. Finding 194 is explicit that one of the intended victims of that alleged policy was Owens itself.

(4) The next argument (p. 208) is that the treasurer of Owens wrote one of the officers of Hartford that the president of Owens was not enthusiastic over the proposed purchase by Hartford of a patent, although he realized that

> "the constructive policy would be to add to your line every patent which by any reasonable possibility might be expected to have a value (offensive or defensive) commensurate with its cost * * *." (Ex. 109, R. 12592)

That statement is not susceptible of the inference that the patents which might be acquired pursuant to that policy were to be put on the shelf. The letter was written in 1928, two years before the Hartford lawyer's memorandum upon which the Department and the District Court have relied to establish the existence of a Hartford practice of blocking off and which is not shown ever to have been communicated to Owens (Ex. 388, R. 12958-76). Indeed, it would have been an extraordinary commercial practice for Hartford to have communicated its alleged policy to one of its intended victims.

(5) The final argument (p. 209) is that "the Record shows" that Owens participated in Hartford's policy, the Department citing two exhibits (Exs. 630, 1880, R. 13286, 14431), and that the policy "was a part of the regular patent policy of Owens, at least between 1924 and October 1935", there being no record reference for this statement and, of course, no finding for

either. The line in Exhibit 630 upon which the Department relies for its first assertion is the statement that Hartford and Owens

> "are in friendly rivalry to take out additional patents on improvements needed in the present O'Neill machine in order to improve its construction to the point of commercial practicability".

That statement does not support the implication that the purpose of making those inventions was to block off O'Neill. Because of his health and age, O'Neill had instituted negotiations for the sale of his patents as early as 1925, but it was felt that the O'Neill patents were not of great importance (Exs. 648-50, R. 13311-20). However, since the O'Neill inventions were of potential value if they could be improved to the point of commercial practicability, it was natural that Owens and Hartford, knowing that the O'Neill patents were available for purchase, should devote some effort to improving the inventions covered by them to a point where they could be put to use.

The other exhibit cited by the Department (Ex. 1880) is a report of a conference in January, 1929, between Hartford and Owens representatives. The O'Neill machine had been developed after Soubier, a leading Owens inventor, had filed an application for a patent containing a claim covering O'Neill's subsequent development but which also contained another claim likely to come into interference with a Hartford application. Hartford was entitled to a license under the Soubier patent and the conference reported in the memorandum was for the purpose of expediting the issuance of a patent including the claim, which had been allowed, reading on O'Neill's subsequent development. Since

Soubier's application had been filed before O'Neill developed his machine, the Department's citation of Exhibit 1880 merely constitutes an apt illustration of its novel concept of "blocking off" and "fencing in".

The five examples upon the basis of which the Department has attempted to support its charge that Owens participated in a Hartford policy about which it is not shown by the Record ever to have known are completely without substance, as has been established once before (Owens Reply Brief, p. 50, fn. 3). Owens did not participate in that policy and there is no finding that it did; it did not independently have any such policy and there is no finding that it had; the most convincing proof that Owens neither participated in nor independently had any such policy is the failure of the Department to request, and of the District Court to make, any such finding of fact.

It will be remembered that Paragraph 52, modified as suggested by the Department, subjects any appellant to a contempt proceeding for filing a patent application, if at the time of such application he has (1) the intent to exclude others from the use of his invention, an intent fundamental to every American patent, and (2) an intent never to make commercial use (at best, a vague standard) of the invention—failure to use within four years after the patent issues being *prima facie* evidence of such intent.

The Department dismisses (pp. 210-1), by confusing and misstating, the unassailable objections of the appellants to Paragraph 52 (Joint Brief, pp. 188-200).

An appellant cannot know when an invention is made whether it is capable of commercial application. If, unable to determine whether not commercial use can be made of an

invention, Owens files an application for a patent it subjects itself to the risk of contempt proceedings four or more years later if the invention proves of insufficient value to justify its adoption. In that contempt proceeding Owens will be faced with the unrealistic *prima facie* presumption that it did not intend to use the invention at the time it filed the application because it did not find a commercial use for it within four years after the patent issued; the task of overcoming that *prima facie* presumption will be Herculean. The result is to make both patentability and risk of contempt turn on a "state of mind" which, as the appellants have pointed out, does not normally exist, must be proved to have existed more than four years before the contempt proceeding, and which because of an unrealistic presumption will generally be incapable of proof.

The Department seeks to explain away that difficulty by interpreting (p. 210) the Paragraph as if the determination of commercial practicability had to be made "within a short time after the patent issues"; but the Paragraph requires that the determination be made, at the risk of punishment for contempt, *before* filing the application. The possibility referred to by the Department (p. 211) of in some instances appraising the value of inventions for the purpose of determining the desirability of a proposed purchase does not answer the argument that in many cases it will be impossible. Nor does it recognize the obvious difference between risk of a business loss and hazard of punishment for contempt.

The only argument of law advanced by the Department in support of Paragraph 52 rests upon the decision in *Special Equipment Company* v. *Coe*, 62 U. S. P. Q. 12 (D. C. Ct. of App.), *certiorari* pending No. 469. As pointed

out in detail in the Joint Brief (pp. 192-3), that decision rests upon a complete misinterpretation of the effect of this Court's decisions in *Motion Picture Patents Company* v. *Universal Film Mfg. Co.*, 243 U. S. 502, and *Ethyl Gasoline Corporation et al.* v. *U. S.*, 309 U. S. 436, upon the long and consistent line of cases stemming from *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S. 405, frequently approved by this Court as the "fullest and most satisfactory discussion" of a patentee's rights. *Crown Die & Tool Co.* v. *Nye Tool & Mach. Works*, 261 U. S. 24, 34; *Woodbridge et al.* v. *U. S.*, 263 U. S. 50, 55; *Long* v. *Rockwood*, 277 U. S. 142, 147, 149; *Fox Film Corp.* v. *Doyal et al.*, 286 U. S. 123, 127; *U. S.* v. *Dubilier Condenser Corp.*, 289 U. S. 178, 186.

This is not the brief in which to argue an appeal from the *Special Equipment* case; if this Court should grant *certiorari* in that case, it will undoubtedly be fully briefed and argued on the basis of the record made in that case. But it may be pointed out that the *Special Equipment* case is not Paragraph 52. That case involved patentability and the only question was whether certain claims covering less than the complete invention should be allowed, claims in the same application covering the complete invention having been allowed. The question involved in Paragraph 52 is not patentability but whether or not an appellant should be perpetually subjected to risk of punishment for contempt. Furthermore, if Mr. Justice Arnold's new view of the law of patentability should be accepted, the "far-reaching implications" of his opinion will, as Mr. Justice Miller observed, "require a considerable reexamination—if not readjustment—of Patent Office practices and procedures, especially with respect to subcombination claims". Any such

readjustment of patent practices and procedures will be applicable to all applicants for patents; this is not the case to make that readjustment as to a limited group and then to impose on top of that discrimination the sanction of contempt proceedings.

Nor is this a record upon which this Court should determine whether it will overrule its *Paper Bag* decision and hold that a combination of non-use and non-licensing may, in particular circumstances, for example when used for the benefit of the monopoly of another patent, be such misuse as to raise for an infringer a defense based on the *Morton Salt* doctrine. Obviously, any such overruling must depend upon precise facts with respect to precise patents. It cannot properly depend upon an alleged policy vaguely declared by a Hartford officer back in 1930.

POINT III

EVEN IF THE OWENS APPELLANTS ARE NOT ENTITLED TO A DISMISSAL OF THE COMPLAINT, THE DECREE MUST BE RADICALLY REVISED IN ITS APPLICATION TO THEM.

The Owens appellants, having withdrawn in 1935 from the combination and not having engaged since that date in any illegal conduct, are entitled to a judgment of dismissal. In any event, if this Court should believe that some of their pre-1935 activities should be enjoined notwithstanding their abandonment for nine years, the decree requires radical revision in its application to them. The decree must be brought into conformity with the fundamental principle that an equity decree should be limited to enjoining illegal activities which "may *fairly* be anticipated from the defendant's conduct in the past". *N. L. R. B.* v. *Express Publishing Co., supra* (312 U. S. 426, 435).

The Owens appellants should not have all their present patents destroyed, their future patents reduced to the right to collect such royalties as the District Court may think reasonable, their right to acquire patents covering their own inventions qualified by threat of contempt proceedings and their right to grant legitimate licenses taken away on the theory that they will forever be a part of a patent pool or combination from which, if it existed, they voluntarily withdrew nine years ago. The Department itself has conceded (p. 15) that "presumably" none of the appellants will "repeat their illegal conduct * * * in view of the *injunctive* provisions of the decree". There is, therefore, no need, on the Department's own admission, for the *confiscatory* provisions of the decree, particularly as to the Owens appellants.

Nor can the practices engaged in prior to 1940 by Hartford—who managed the licensing and lease system described by the District Court as "the greatest abuse" in the case (Op. R. 158)—be used as a basis for inferring present danger of future commission of illegal acts by the Owens appellants. The conduct of the Owens appellants since 1935 has been of a nature justifying, indeed requiring, the conclusion that it will not renew any of its pre-1935 practices which were found to be unlawful or any practices of the same type or class; the best proof of that is the inability of the Department in its main brief to discover anything of substance to support its baseless charge, which it has now apparently abandoned, of continued participation in or receipt of benefits from the conspiracy (Owens Reply Brief, pp. 2-33).

The Department has conceded that many of the Paragraphs require substantial modification. It has admitted that numerous other Paragraphs contain what it airily dis-

misses as defects in draftsmanship relating "simply to their form". It has openly confessed that the language of many of the Paragraphs is far broader than their purposes. At the time this suit was brought the then Assistant Attorney General in charge of the Antitrust Division conceded that the confiscation of the patents of the appellants by Paragraph 24 went beyond any principle adopted by this Court or Congress (Hearings Before the Senate Committee on Patents, 77th Cong., 2d Sess., S. 2303 (Part 2), p. 948). The Department has conceded that other Paragraphs can be sustained as a matter of law only if this Court shall overrule long and consistent lines of cases.

These concessions, and the numerous other respects in which the decree departs from fundamental equitable principles, require the substitution of a reasonable decree which will not perpetually, and "in all their businesses", place the appellants "in a different class than other people" with the effect of compelling each of them for all time to conduct his business at the risk of summary punishment for contempt. The appellants have suggested (Joint Brief, pp. 227-8) the outlines of a reasonable decree. The Owens appellants urge that this Court give that suggestion favorable consideration.

Respectfully submitted,

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APPENDIX

FINDINGS OF FACT (R. 7277-7400) ATTACKED BY OWENS IN ITS MAIN AND REPLY BRIEFS

Subject Matter of Finding	*Finding of Fact*	*Discussed in Owens Main Brief at pages*	*Discussed in Owens Reply Brief at pages*
I. CRITICISMS OF 1935 WITHDRAWAL AGREEMENTS			
(a) *Alleged Allotment of Gob Feed to Hartford*	430	28-31	20-1
(b) *Hartford's Payment to Owens of $2,500,000*	421, 429, 435	31-2	11-2
(c) *Owens's "Inventions License" and "Most Favored Nation Clause"*	422-3, 427	32-3	
(d) *Alleged Allotment of Suction to Owens*	426, 430-1 477	34-40, 41-9, App. B	21
(e) *Exclusion of "Corning's Field" from Hartford's Licenses to Owens and Owens's License to Hazel*	423-5, 432	40-1	7-8
II. ALLEGED "CLOSE RELATIONSHIP" TO OTHER DEFENDANTS AND PARTICIPATION IN CONSPIRACY SUBSEQUENT TO 1935 BY OWENS			
1. *Alleged "Close Relationship" of Owens with Other Defendants After 1935*			
(a) *With Hartford*	122 (9-10), 174, 360, 428, 433-6, 439, 441-2, 477, 521	20-8, 44-57	9-12, 14, 16-7, 18-9, 20-2
(b) *With Corning*	432-3, 443	57-61	7-8, 17-8, 21, 23
(c) *With Hazel*	433, 522	23, 61-2	13-4, 19-20

Subject Matter of Finding	*Finding of Fact*	*Discussed in Owens Main Brief at pages*	*Discussed in Owens Reply Brief at pages*
(d) *With Ball*	383-4, 433	62-5	22
(e) *With Thatcher*	433, 437-8	65-7	12-13
(f) *With Lynch*	330-1, 433, 445, 512	67-9	15-6
(g) *With Glass Container Association*	433, 440	69-70	14-5
(h) *Alleged Other Participation in Conspiracy after 1935*	310, 312, 444	70-2	19, 31-3
2. *Owens's Alleged Monopoly of Suction*	431, 477, 495	22-5, 34-40, 72-6, App. B	25-31
3. *Alleged Domination by Owens of "Entire Glass Industry"*	92, 126-8, 230, 391, 417, 426, 495	76-86	25-31
III. INDIVIDUAL DEFENDANTS	19, 567-92	13, 87-110, 118-9	56-8
IV. ALLEGED CONSPIRACY BETWEEN OWENS AND HARTFORD WITH RESPECT TO LEHRS AND STACKERS			
(a) *Alleged More Favorable Lehr Licenses to Owens*	352, 424	App. A iii-ix	
(b) *Alleged Threats Against Amsler-Morton*	358	App. A ix-xiv	
(c) *Alleged Participation in Hartford's Suit Against Amsler-Morton Licensee*	360	App. A xiv-xv	
(d) *Alleged "Unit Plan"*	491	App. A xv-xvii	

V. Summary in Numerical Order

Finding of Fact	*Discussed in Owens Main Brief at pages*	*Discussed in Owens Reply Brief at pages*
19	87-110	56-8
92	76-86	25-31
122 (9-10)	49-52	16-7, 18-9
126	76-86	25-31
127	84-5	
128	85-6	
174	53	14
230	76-86	25-31
310	70-2	19
312	70-2	19
330	68	15
331	68	15
352	App. A iii-ix	
358	App. A ix-xiv	
360	App. A xiv-xv	58, fn. 1
383	62-5	22
384	62-5	22
391	81-3	
417	80-1	
421	31-2	11-2
422	32-3	
423	40-1	
424	40-1, App. A iii-ix	
425		7-8
426	22-8, 76-86	25-31
427	32-3	
428	53-6	9-11
429	31-2	11-2
430	28-31, 34-40	21, 25-31
431	22-5, 34-40, 72-6, App. B	21, 25-31
432	40-1, 57-61	7-8, 17-8, 21, 23
433	20-8, 44-70	7-24
434	53-6	9-11
435	31-2	11-2
436	56	12
437	65-7	12-13
438	65-7	12-13
439	53	14
440	69-70	14-5
441	49-51	18-9, 24
442	51-2	16-7, 24
443	59-60	17
444	70-2	19
445	68-9	15
477	34-40, 44-9	25-31
491	App. A xv-xvii	
495	44-9, App. B	25-31
512	68-9	15
567-92	13, 87-110, 118-9	56-8